2018
Single Audit Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State of Washington
Office of Financial Management
March 2019

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State of Washington

Single Audit Report

For Fiscal Year Ended

June 30, 2018

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Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

November 21, 2018

The Honorable Jay Inslee
Governor, State of Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Department of Retirement Systems, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board. Those financial statements represent part or all of the total assets, net position, and revenues or additions of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information as follows:

Opinion Unit	Percent of Total Assets	Percent of Net Position	Percent of Total Revenues/ Additions
Governmental Activities	13.0%	26.9%	8.2%
Business-Type Activities	74.3%	100.0%	36.6%
Higher Education Special Revenue Fund	49.9%	56.5%	53.4%
Higher Education Endowment Fund	97.0%	96.9%	91.5%
Higher Education Student Services Fund	71.1%	100.0%	83.7%
Workers' Compensation Fund	93.6%	100.0%	8.2%
Aggregate Discretely Presented Component Units and Remaining Fund Information	93.5%	95.7%	72.3%

Those statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned entities and funds, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Washington were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 2 to the financial statements, in 2018, the State adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

As explained in Note 1.D.1, the financial statements include pension trust fund investments valued at $43.4 billion, which comprise 30.5 percent of total assets and 32.8 percent of net position of the aggregate discretely presented component units and remaining fund information. The fair values of these investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or, in the case of investments in partnerships, the general partners. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

November 21, 2018

MD&A
Management's Discussion and Analysis

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MD&A
Management's Discussion & Analysis

As managers of the state of Washington, we offer this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. We present this information in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with the state's financial statements, which follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets and deferred outflows of the state of Washington exceeded its liabilities and deferred inflows by $24.77 billion (reported as net position). Of this amount, $(13.98) billion was reported as "unrestricted net position." A negative balance indicates that no funds were available for discretionary purposes.

- The state of Washington's governmental funds reported a combined ending fund balance of $19.58 billion, an increase of 15.9 percent compared with the prior year.

- The state's capital assets increased by $758.5 million, total bond debt increased by $301.0 million, and the state's net investment in capital assets is $22.60 billion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the state of Washington's basic financial statements, which include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The focus is on both the state as a whole (government-wide) and the major individual funds. The dual perspectives allow the reader to address relevant questions, broaden the basis for comparison (year-to-year or government-to-government), and enhance the state's accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the state of Washington's finances, in a manner similar to a private sector business.

Statement of Net Position. The Statement of Net Position presents information on all of the state of Washington's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the state of Washington is improving or deteriorating.

Statement of Activities. The Statement of Activities presents information showing how the state's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The Statement of Activities is focused on both the gross and net cost of various activities (including governmental, business-type, and component unit). This is intended to summarize and simplify the reader's analysis of the revenues and costs of various state activities and the degree to which activities are subsidized by general revenues.

Both of these government-wide financial statements distinguish functions of the state of Washington that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the state of Washington include education, human services, transportation, natural resources, adult corrections, and general government.

The business-type activities of the state of Washington include the workers' compensation and unemployment compensation programs, and various higher education student services such as housing and dining.

FUND FINANCIAL STATEMENTS

A fund is a group of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The state of Washington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the state can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on fund balances at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for three major funds and an aggregate total for all nonmajor funds. The state's major governmental funds are the General Fund, Higher Education Special Revenue Fund, and the Higher Education Endowment Fund. Individual fund data for the state's nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

Proprietary Funds. The state of Washington maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds represent an accounting device used to accumulate and allocate costs internally among the state of Washington's various functions. The state of Washington uses internal service funds to account for general services such as motor pool, data processing services, risk management, and employee health insurance. Because internal service funds predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, but in greater detail. The proprietary fund financial statements provide separate information for the Workers' Compensation Fund, Unemployment Compensation Fund, and the Higher Education Student Services Fund, which are considered to be major funds, as well as an aggregated total for all nonmajor enterprise funds.

The internal service funds are combined for presentation purposes. Individual fund data for the state's nonmajor proprietary funds are provided in the form of combining statements elsewhere in this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the state of Washington's own programs. Washington's fiduciary funds include state administered pension plans. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the state's fiduciary funds are provided in the form of combining statements elsewhere in this report.

Component Units. Component units that are legally separate from the state and primarily serve or benefit those outside the state are discretely presented. They are either financially accountable to the state or have relationships with the state such that exclusion would cause the state's financial statements to be misleading or incomplete. The state discretely reports three major component units: the Valley Medical Center, the Washington State Public Stadium Authority, and the Health Benefit Exchange, as well as four nonmajor component units.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

OTHER INFORMATION

This report also presents required supplementary information on budgetary comparisons, pension plans and other postemployment benefits information, and infrastructure assets reported using the modified approach.

The combining statements referred to earlier are presented immediately following the required supplementary information.

STATE OF WASHINGTON
Statement of Net Position
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current and other assets	$ 30,477	$ 26,295	$ 27,237	$ 26,535	$ 57,714	$ 52,830
Capital assets	41,044	40,512	3,336	3,108	44,380	43,620
Total assets	71,521	66,807	30,573	29,643	102,094	96,450
DEFERRED OUTFLOWS OF RESOURCES	1,108	1,320	171	197	1,279	1,517
LIABILITIES						
Current and other liabilities	5,910	5,976	1,167	1,090	7,077	7,066
Long-term liabilities outstanding	35,986	34,527	33,532	32,143	69,518	66,670
Total liabilities	41,896	40,503	34,699	33,233	76,595	73,736
DEFERRED INFLOWS OF RESOURCES	1,819	235	189	9	2,008	244
NET POSITION						
Net investment in capital assets	21,749	21,048	847	751	22,596	21,799
Restricted	11,328	9,718	4,825	4,581	16,153	14,299
Unrestricted	(4,163)	(3,377)	(9,816)	(8,734)	(13,979)	(12,111)
Total net position	$ 28,914	$ 27,389	$ (4,144)	$ (3,402)	$ 24,770	$ 23,987

Note: The 2017 amounts presented here have not been restated for prior period adjustments. Complete information necessary to fully restate the 2017 amounts was not available. Refer to Note 2 Accounting, Reporting, and Entity Changes.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the state of Washington, total assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $24.77 billion at June 30, 2018, as compared to $23.99 billion as reported at June 30, 2017.

The largest portion of the state's net position (91.2 percent for fiscal year 2018 as compared to 90.9 percent for fiscal year 2017) reflects its net investment in capital assets (e.g., land, buildings, equipment, and intangible assets) less any related debt used to acquire those assets that is still outstanding. The state of Washington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the state of Washington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the state of Washington's net position (65.2 percent for fiscal year 2018 as compared to 59.6 percent for fiscal year 2017) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $(13.98) billion represents unrestricted net position. The state's overall negative balance in unrestricted net position is largely due to deficits in business-type activities.

In governmental activities, net position increased from $27.39 billion in fiscal year 2017 to $28.91 billion in fiscal year 2018. The increase reflects increases in grants and tax revenues that outpaced the increases in expenses.

In business-type activities, the deficit is caused by the workers' compensation program that provides time-loss, medical, disability, and pension payments to qualifying individuals who sustain work-related injuries or develop occupational diseases as a result of their required work activities.

The main benefit plans of the workers' compensation program are funded on rates that will keep the plans solvent in accordance with recognized actuarial principles.

The supplemental pension cost-of-living adjustments (COLAs) granted for time-loss and disability payments, however, are funded on a pay-as-you-go basis. By statute, the state is only allowed to collect enough revenue to fund the current COLA payments.

As previously mentioned, the state's activities are divided between governmental and business-type. The majority of support for governmental activities comes from taxes and intergovernmental grants, while business-type activities are supported primarily through user charges.

STATE OF WASHINGTON

Changes in Net Position

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues:						
Charges for services	$ 7,170	$ 6,643	$ 7,920	$ 7,524	$ 15,090	$ 14,167
Operating grants and contributions	16,120	15,832	66	65	16,186	15,897
Capital grants and contributions	973	1,012	—	5	973	1,017
General revenues:						
Taxes	24,863	21,883	23	21	24,886	21,904
Interest and investment earnings (loss)	561	614	502	880	1,063	1,494
Total revenues	49,688	45,984	8,510	8,495	58,198	54,479
EXPENSES						
General government	(1,687)	(1,945)	—	—	(1,687)	(1,945)
Education - K-12	(12,012)	(11,042)	—	—	(12,012)	(11,042)
Education - Higher education	(7,662)	(7,633)	—	—	(7,662)	(7,633)
Human services	(18,863)	(18,216)	—	—	(18,863)	(18,216)
Adult corrections	(1,067)	(1,062)	—	—	(1,067)	(1,062)
Natural resources and recreation	(1,184)	(1,266)	—	—	(1,184)	(1,266)
Transportation	(2,485)	(2,118)	—	—	(2,485)	(2,118)
Interest on long-term debt	(1,002)	(1,027)	—	—	(1,002)	(1,027)
Workers' compensation	—	—	(3,690)	(3,269)	(3,690)	(3,269)
Unemployment compensation	—	—	(935)	(1,027)	(935)	(1,027)
Higher education student services	—	—	(3,119)	(3,022)	(3,119)	(3,022)
Other business-type activities	—	—	(918)	(1,016)	(918)	(1,016)
Total expenses	(45,962)	(44,309)	(8,662)	(8,334)	(54,624)	(52,643)
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	3,726	1,675	(152)	161	3,574	1,836
Contributions to endowments	109	100	—	—	109	100
Transfers	152	119	(152)	(119)	—	—
Increase (decrease) in net position	3,986	1,894	(304)	42	3,683	1,936
Net position - July 1, as restated	24,928	25,495	(3,840)	(3,444)	21,087	22,051
Net position - June 30	$ 28,914	$ 27,389	$ (4,144)	$ (3,402)	$ 24,770	$ 23,987

Governmental Activities. Governmental activities resulted in an increase in the state of Washington's net position of $3.99 billion. A number of factors were in play including increases in tax revenues and spending on K-12 education and human services.

- Tax revenues increased by $2.98 billion in fiscal year 2018 as compared to fiscal year 2017 reflecting positive growth in the economy. Sales and use tax, which are the main tax revenue for governmental activities, reported an increase of $791.4 million. Business and Occupation tax increased by $321.1 million. Property tax revenue increased by $1.25 billion as a result of the state Legislature increasing the state's property tax rate. Real estate excise tax revenue increased by $138.5 million. Real estate excise taxes are levied on the sale of real estate.

- Operating grants and contributions grew by $287.5 million in fiscal year 2018 compared with 2017 and were matched with an increase in human services operating grant expenses.

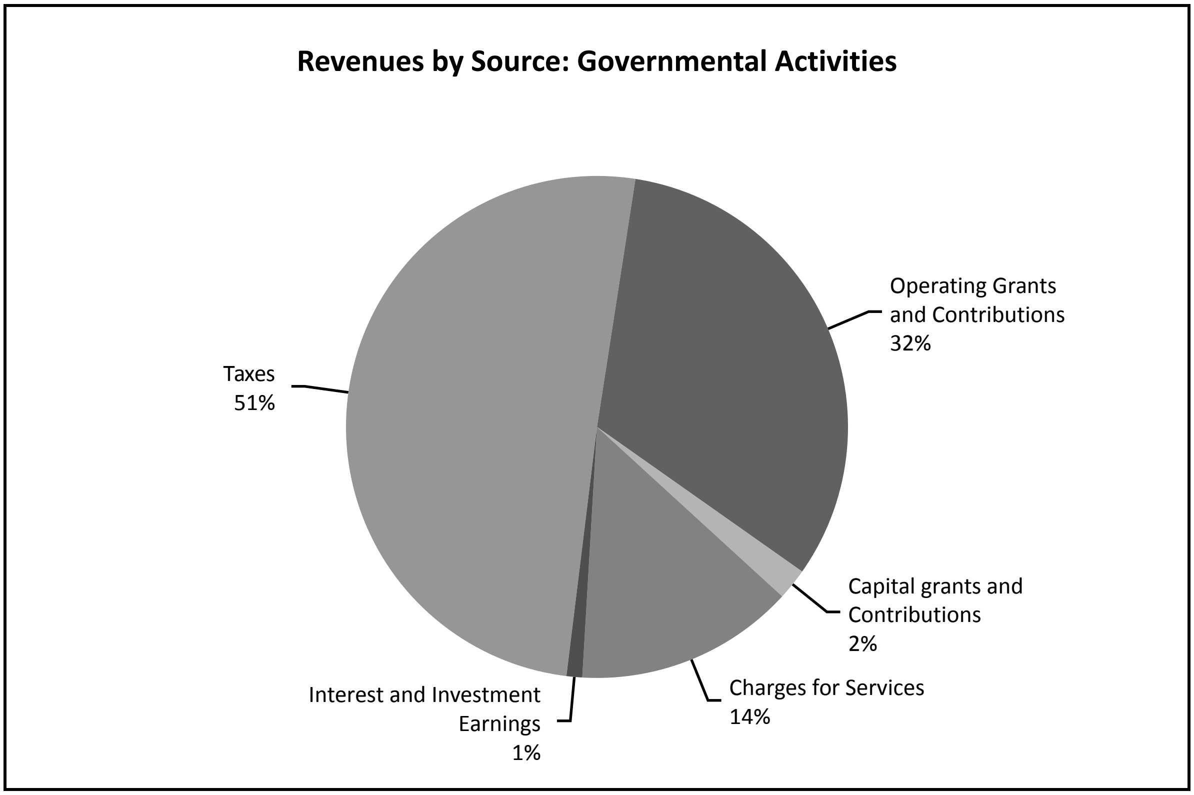
- Expenses grew by $970.7 million for K-12 education in 2018 as compared to fiscal year 2017. The state Supreme Court ruled this year, that the state met its constitutional duty to fund basic education.

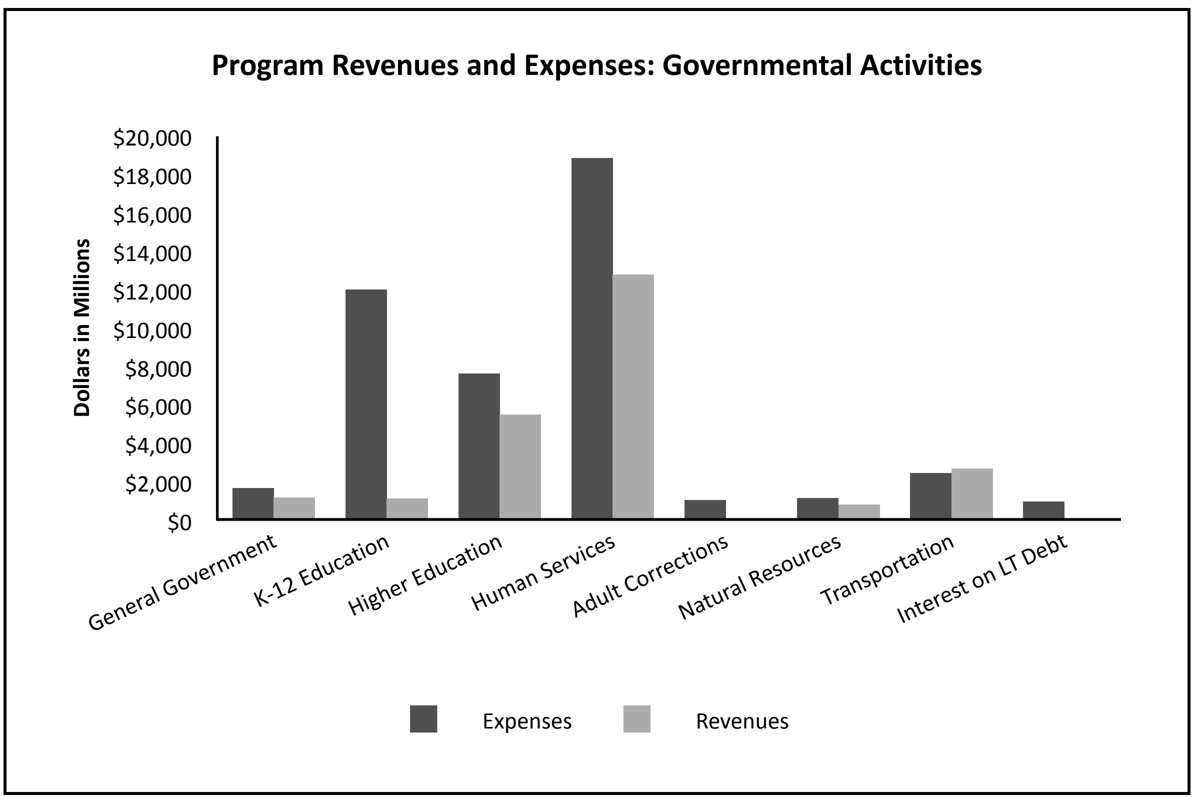
Business-Type Activities. Business-type activities decreased the state of Washington's net position by $303.6 million. Key factors contributing to the operating results of business-type activities are:

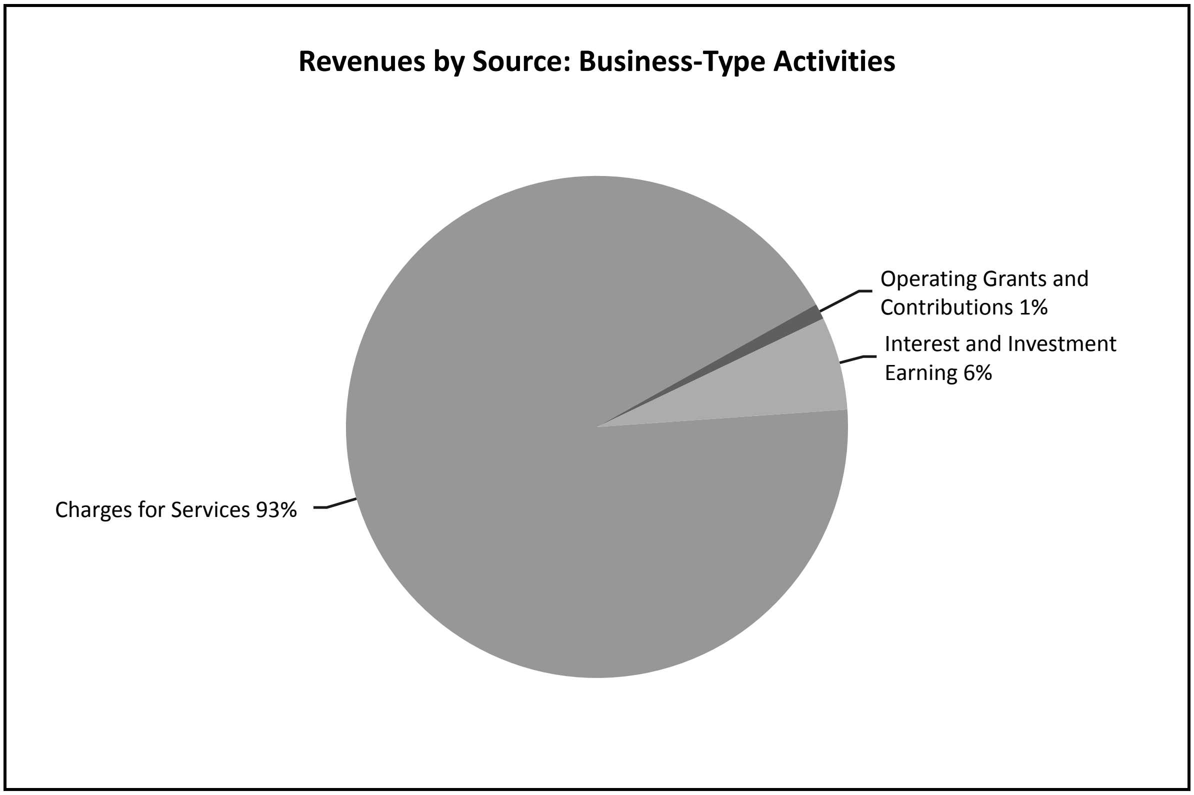
- The workers' compensation activity decrease in net position in fiscal year 2018 was $654.0 million compared to an increase of $70.5 million in fiscal year 2017. Claim costs increased by $421.7 million in fiscal year 2018 compared with fiscal year 2017, reflecting an increase in the number of time-loss claims. Investment income decreased by $302.0 million as compared to fiscal year 2017. The workers' compensation portfolio is 86.1 percent debt securities.

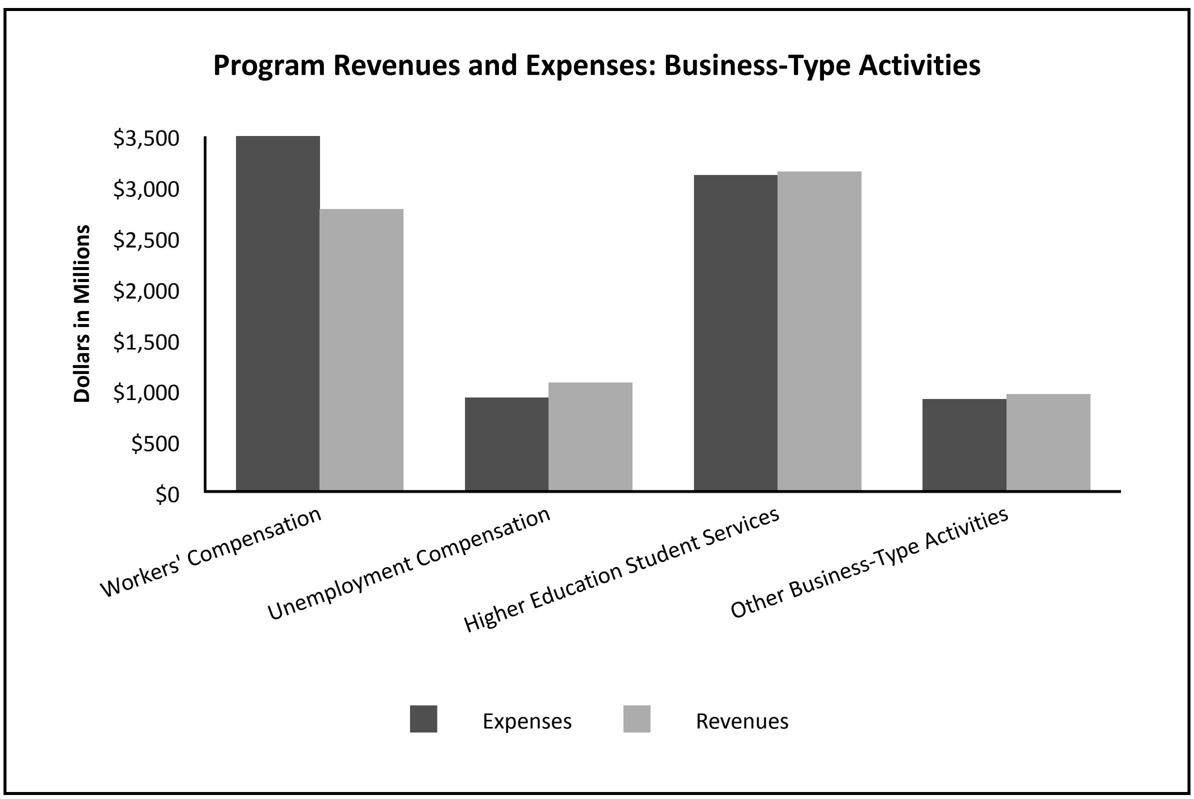
- The unemployment compensation activity reported operating income in fiscal year 2018 of $144.9 million compared to $3.8 million in fiscal year 2017. Unemployment insurance benefits decreased by $92.2 million in fiscal year 2018 over fiscal year 2017. The unemployment rate for the state for June 2018 was 4.5 percent, unchanged from June 2017.

- The Higher Education Student Services activities reported relatively proportional increases in both operating revenues and expenses when compared to the prior year.


Revenues by Source: Governmental Activities
Operating Grants and Contributions 32%
Taxes 51%
Capital grants and Contributions 2%
Interest and Investment Earnings 1%
Charges for Services 14%


Program Revenues and Expenses: Governmental Activities
Dollars in Millions
$20,000
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
General Government
K-12 Education
Higher Education
Human Services
Adult Corrections
Natural Resources
Transportation
Interest on LT Debt
Expenses
Revenues


Revenues by Source: Business-Type Activities
Operating Grants and Contributions 1%
Interest and Investment Earning 6%
Charges for Services 93%


Program Revenues and Expenses: Business-Type Activities
Dollars in Millions
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
Workers' Compensation
Unemployment Compensation
Higher Education Student Services
Other Business-Type Activities
Expenses
Revenues

Financial Analysis of the State's Funds

As noted earlier, the state of Washington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. As previously discussed, the focus of the state of Washington's governmental funds is to provide information on near-term inflows, outflows, and fund balances. Such information is useful in assessing the state of Washington's financing requirements.

Fund Balances. At June 30, 2018, the state's governmental funds reported combined ending fund balances of $19.58 billion. Of this amount, $2.81 billion or 14.4 percent is nonspendable, either due to its form or legal constraints; and $6.77 billion or 34.6 percent is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional $6.45 billion or 33.0 percent of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional $1.53 billion or 7.8 percent of total fund balance has been assigned to specific purposes by management.

The General Fund is the chief operating fund of the state of Washington. The fund balance improved by $1.23 billion in fiscal year 2018, as compared to a $970.8 million gain in fiscal year 2017. Increased revenues from taxes and spending increases in K-12 education and social and health services were the key contributing factors. Assigned fund balance of $1.51 billion is reported for fiscal year 2018 and relates to certain accrued and non-cash revenues which are not considered by management to be available for budgetary purposes.

STATE OF WASHINGTON

General Fund

(in millions of dollars)

	Fiscal Year 2018	Fiscal Year 2017	Difference Increase (Decrease)
REVENUES			
Taxes	$ 21,244	$ 19,341	$ 1,903
Federal grants	13,013	12,680	333
Investment revenue (loss)	1	(5)	6
Other	920	1,130	(210)
Total	35,178	33,146	2,032
EXPENDITURES			
Human services	18,686	17,959	727
Education	13,067	12,176	891
Other	1,585	1,584	1
Total	33,338	31,719	1,619
Net transfers in (out)	(674)	(587)	(87)
Other financing sources	63	131	(68)
Net increase (decrease) in fund balance	$ 1,229	$ 971	$ 258

General Fund expenditures continue to be concentrated in services and programs most vital to citizens – primarily human services and public education.

In addition to the General Fund, the state reports the Higher Education Special Revenue and the Higher Education Endowment Funds as major governmental funds. Significant changes are as follows:

- The change in fund balance of the Higher Education Special Revenue Fund in fiscal year 2018 was an increase of $162.3 million compared to a decrease of $167.7 million in fiscal year 2017.
- The fund balance for the Higher Education Endowment Fund increased by $336.5 million in fiscal year 2018. The increase is a result of positive growth in investment earnings.

Proprietary Funds. The state of Washington's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Significant changes reported in fiscal year 2018 are as follows:

- The Workers' Compensation Fund reported a decrease in net position of $654.0 million in fiscal year 2018. Operating revenues decreased by $4.8 million and operating expenses increased by $420.1 million as compared to fiscal year 2017. Investment income decreased $302.0 million over fiscal year 2017.

- Washington's Unemployment Compensation Fund reported an increase in net position of $242.8 million. As reported previously, premium revenue increased reflecting a growing workforce and higher taxable wage base. Unemployment benefit claims expense decreased by $92.2 million in fiscal year 2018 as compared to 2017. The decrease in benefit claims and marginal increase in federal aid are consistent with an overall stable unemployment rate.

- The Higher Education Student Services Fund and the nonmajor enterprise funds reported consistent activity when compared to the prior year.

Adjustments to Beginning Proprietary Fund Net Position. As described in Note 2 to the financial statements, beginning fund net position of the Higher Education Student Services Fund and Workers' Compensation Fund were adjusted as a result of implementing GASB Statement Nos. 75 and 81.

General Fund Budgetary Highlights

Differences between the original budget of the General Fund and the final amended budget reflect increases in mandatory costs driven by rising caseloads and school enrollment as well as other high priority needs. Changes to estimates are summarized as follows:

- Estimated biennial resources increased by $3.12 billion over the course of the first fiscal year of the biennium. The major increase in estimated resources is additional property tax, sales tax, and excise tax collected.

- Appropriated expenditure authority increased by $3.95 billion over the first fiscal year of the biennium to address increases in the state's mental health and children services programs. The largest increase in appropriation authority was in K-12 education. This is the result of the state meeting its obligation under the state Supreme Court's 2012 McCleary ruling to meet its constitutional duty to fund basic education.

The state did not overspend its legal spending authority for the 2017-19 biennium. Actual General Fund revenues and expenditures were 49.9 and 46.0 percent of final budgeted resources and appropriations, respectively, for the first fiscal year of the 2017-19 biennium.

Capital Assets, Infrastructure, and Bond Debt Administration

Capital Assets. The state of Washington's investment in capital assets for its governmental and business-type activities as of June 30, 2018, totaled $44.38 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings, equipment, and intangible assets, as well as construction in progress.

Washington's fiscal year 2018 investment in capital assets, net of current year depreciation, increased $758.5 million over fiscal year 2017, including increases to the state's transportation infrastructure of $286.1 million. The state's construction in progress includes both new construction and major improvements to state capital facilities and infrastructure. Remaining commitments on these construction projects total $2.91 billion.

Additional information on the state of Washington's capital assets can be found in Note 6.

Infrastructure. The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 20,810 pavement lane miles, 3,322 bridges, and 47 highway safety rest areas. Infrastructure asset categories are assessed on a two-year cycle, either on a calendar year or fiscal year basis.

In the past five fiscal years, the state has invested fewer resources for the preservation and maintenance of pavement, bridges, and rest areas than was planned.

STATE OF WASHINGTON
Capital Assets - Net of Depreciation
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 2,767	$ 2,666	$ 71	$ 70	$ 2,838	$ 2,736
Transportation infrastructure and other assets not depreciated	25,147	24,838	5	5	25,152	24,843
Buildings	8,649	8,434	2,533	2,521	11,182	10,955
Furnishings, equipment, and intangible assets	2,088	2,009	196	220	2,284	2,229
Other improvements and infrastructure	1,361	1,390	74	77	1,435	1,467
Construction in progress	1,032	1,176	457	215	1,489	1,391
Total	$ 41,044	$ 40,513	$ 3,336	$ 3,108	$ 44,380	$ 43,621

The state's goal is to maintain 85 percent of pavements and 90 percent of bridges at a condition level of fair or better. The condition of these assets, along with the rating scales, and additional detail comparing planned to actual preservation and maintenance spending are available in the required supplementary information. In 2018, the Washington State Department of Transportation updated its Capital Assets - Infrastructure Policy to report the average of the three most recent assessment periods, as opposed to just the most recent period.

The most recent pavements condition assessment indicates that 93.2 percent of pavements were in fair or better condition. The condition of pavements has remained steady in the last three assessment periods, averaging 93.1 percent in fair or better condition. For fiscal year 2018, actual maintenance and preservation expenditures were 3.0 percent higher than planned; however, over the past five fiscal years, the actual expenditures were 4.0 percent lower than planned.

The most recent bridge condition assessment indicates that 91.8 percent of bridges were in good or fair condition. The condition of bridges has remained steady over the last three assessment periods, averaging 91.8 percent in good or fair condition. For fiscal year 2018, the actual maintenance and preservation expenditures were 18.3 percent lower than planned, and over the past five fiscal years, the actual expenditures were 10.5 percent lower than planned.

Bond Debt. At the end of fiscal year 2018, the state of Washington had general obligation bond debt outstanding including accreted interest and issuance premiums of $19.61 billion, a decrease of 0.2 percent from fiscal year 2017. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized $12.42 billion general obligation debt that remains unissued.

General obligation debt is subject to the limitation prescribed by the state Constitution. The aggregate debt contracted by the state as of June 30, 2018, does not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than 8.3 percent of the arithmetic mean of its general state revenues for the six immediately preceding fiscal years. The arithmetic mean of its general state revenues for fiscal years 2012-2017 is $17.18 billion. The debt service limitation, 8.3 percent of this mean, is $1.42 billion. The state's maximum annual debt service as of June 30, 2018, subject to the constitutional debt limitation is $1.17 billion, or $250.0 million less than the debt service limitation.

For further information on the debt limit, refer to Schedule 11 in the statistical section of this report or the Certification of the Debt Limitation of the state of Washington, available from the Office of the State Treasurer at https://www.tre.wa.gov/wp-content/uploads/Debt-Limit-Certification-Complete.pdf.

By statutory provision, the State Finance Committee (SFC) is authorized to supervise and control the issuance of all state bonds, notes, or other evidences of indebtedness. The SFC is composed of the Governor, Lieutenant Governor, and State Treasurer, the latter serving as chairperson.

As of June 30, 2018, the state of Washington's general obligation debt was rated Aa1 by Moody's Investor Service, AA+ by Standard & Poor's Rating Group (S & P), and AA + by Fitch Ratings.

STATE OF WASHINGTON
Bond Debt
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017*	2018	2017
General obligation (GO) bonds	$ 19,181	$ 19,192	$ —	$ —	$ 19,181	$ 19,192
Accreted interest on zero interest rate GO bonds	433	458	—	—	433	458
Revenue bonds	2,297	2,319	2,141	2,125	4,438	4,444
Unamortized premium on bonds sold	1,731	1,391	185	182	1,916	1,573
Total	$ 23,642	$ 23,360	$ 2,326	$ 2,307	$ 25,968	$ 25,667

*Prior year balances restated for comparability

The state had revenue debt outstanding at June 30, 2018, of $4.44 billion, a decrease of $5.9 million over fiscal year 2017. The decrease is primarily related to revenue bonds issued by state colleges and universities. This debt is not supported or intended to be supported by the full faith and credit of the state. Revenue bond debt is generally secured by specific sources of revenue. The exception is the University of Washington and Washington State University which issue general revenue bonds that are payable from general revenues of each university.

General obligation and revenue bonds totaling $1.36 billion were refunded during the year. Washington's refunding activity produced $233.4 million in gross debt service savings.

Additional information on the state's bond debt obligations is presented in Note 7.

Conditions with Expected Future Impact

Economic Outlook. Washington is well positioned for economic and population expansion. The state has a diverse industrial and environmental base that supports trade with Pacific Rim countries as well as knowledge-based industries including information technology, health, business, and financial services. Washington's expanding economy, accelerated gains in hiring, and strong housing markets have had a positive effect on revenue growth. Further economic growth and a continued expansion in the housing and commercial building markets should keep revenues growing at a sound pace.

Rainy Day Account. In November 2007, Washington state voters ratified Engrossed Substitute Senate Joint Resolution 8206, amending the Washington Constitution and establishing the Budget Stabilization Account (BSA). The state's Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature.

On June 30, 2018, $216.4 million was transferred to the BSA from the General Fund in accordance with the provisions of the Constitution. During fiscal year 2018, by three-fifths vote of each house, the Legislature appropriated $22.5 million from the BSA for additional state expenditures, emergency fire service mobilization, fire suppression, and fire damage recovery costs. In addition, the Legislature transferred $462.6 million of extraordinary revenue growth to the pension stabilization account to be used only for the cost of state employer contributions to state pension systems. The BSA had a fund balance of $1.37 billion as of June 30, 2018.

Requests for Information

This financial report is designed to provide a general overview of the state of Washington's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Financial Management, Accounting Division, P.O. Box 43127, Olympia, WA 98504-3127.

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Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position

June 30, 2018

(expressed in thousands)

Continued

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and cash equivalents	$ 9,440,400	$ 8,042,530	$ 17,482,930	$ 239,846
Taxes receivable (net of allowance for uncollectibles)	4,810,007	40	4,810,047	—
Other receivables (net of allowance for uncollectibles)	2,393,707	1,887,186	4,280,893	102,788
Internal balances	336,264	(336,264)	—	—
Due from other governments	4,444,596	150,815	4,595,411	—
Inventories and prepaids	121,173	60,988	182,161	25,306
Restricted cash and investments	287,006	77,476	364,482	—
Restricted receivables, current	69,331	36,592	105,923	—
Investments, noncurrent	6,694,898	17,021,803	23,716,701	66,663
Restricted investments, noncurrent	—	—	—	13,318
Restricted receivables, noncurrent	—	735	735	—
Restricted net pension asset	1,879,159	454	1,879,613	—
Other assets	—	295,009	295,009	288,208
Capital assets:				
Non-depreciable assets	28,946,390	532,071	29,478,461	94,433
Depreciable assets (net of accumulated depreciation)	12,097,601	2,803,438	14,901,039	552,421
Total capital assets	41,043,991	3,335,509	44,379,500	646,854
Total Assets	71,520,532	30,572,873	102,093,405	1,382,983
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on refundings	4,135	38,863	42,998	12,491
Deferred outflows on pensions	982,452	119,077	1,101,529	2,697
Deferred outflows on OPEB	121,518	12,690	134,208	57
Total Deferred Outflows of Resources	1,108,105	170,630	1,278,735	15,245
Total Assets and Deferred Outflows of Resources	$ 72,628,637	$ 30,743,503	$ 103,372,140	$ 1,398,228

The notes to the financial statements are an integral part of this statement.

Statement of Net Position

June 30, 2018

(expressed in thousands)

Concluded

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Accounts payable	$ 2,255,967	$ 268,417	$ 2,524,384	$ 35,053
Accrued liabilities	1,619,344	669,465	2,288,809	121,064
Obligations under security lending agreements	—	122,237	122,237	—
Due to other governments	1,568,935	43,818	1,612,753	—
Unearned revenues	466,082	62,583	528,665	8,747
Long-term liabilities:				
Due within one year	1,898,706	2,581,358	4,480,064	11,410
Due in more than one year	34,087,221	30,950,414	65,037,635	321,527
Total Liabilities	41,896,255	34,698,292	76,594,547	497,801
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on hedging derivatives	3,869	—	3,869	—
Deferred inflows on refundings	2,183	23	2,206	—
Deferred inflows on pensions	1,029,198	83,086	1,112,284	2,424
Deferred inflows on OPEB	737,501	106,161	843,662	529
Deferred inflows on irrevocable split interest agreements	45,663	—	45,663	
Deferred inflows on property taxes	—	—	—	25,031
Total Deferred Inflows of Resources	1,818,414	189,270	2,007,684	27,984
NET POSITION				
Net investment in capital assets	21,749,060	846,822	22,595,882	351,429
Restricted for:				
Unemployment compensation	—	4,824,074	4,824,074	—
Nonexpendable permanent endowments	2,674,263	—	2,674,263	—
Expendable endowment funds	1,639,382	—	1,639,382	—
Pensions	1,879,159	454	1,879,613	—
Wildlife and natural resources	1,089,027	—	1,089,027	—
Transportation	1,399,032	—	1,399,032	—
Budget stabilization	1,369,438	—	1,369,438	—
Higher education	126,261	—	126,261	—
Capital projects	274,454	—	274,454	—
Other purposes	877,098	—	877,098	9,773
Unrestricted	(4,163,206)	(9,815,409)	(13,978,615)	511,241
Total Net Position	28,913,968	(4,144,059)	24,769,909	872,443
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 72,628,637	$ 30,743,503	$ 103,372,140	$ 1,398,228

The notes to the financial statements are an integral part of this statement.

Statement of Activities

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capitol Grants and Contributions**
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	$ 1,686,943	$ 907,821	$ 292,686	$ 796
Education - K-12 education	12,012,236	27,778	1,111,103	—
Education - higher education	7,661,620	3,058,782	2,311,847	157,878
Human services	18,862,827	736,677	12,075,552	—
Adult corrections	1,066,875	28,527	2,439	—
Natural resources and recreation	1,184,591	616,605	193,743	32,952
Transportation	2,485,116	1,794,268	132,466	781,527
Interest on long-term debt	1,002,024	—	—	—
Total Governmental Activities	45,962,232	7,170,458	16,119,836	973,153
Business-Type Activities:				
Workers' compensation	3,689,553	2,774,652	11,466	—
Unemployment compensation	935,042	1,039,340	40,569	—
Higher education student services	3,118,741	3,139,025	13,811	—
Washington's lottery	557,187	736,816	—	—
Guaranteed education tuition program	173,651	84,004	—	—
Other	188,086	145,730	457	—
Total Business-Type Activities	8,662,260	7,919,567	66,303	—
Total Primary Government	$ 54,624,492	$ 15,090,025	$ 16,186,139	$ 973,153
COMPONENT UNITS	$ 727,499	$ 742,132	$ 31,466	$ —
Total Component Units	$ 727,499	$ 742,132	$ 31,466	$ —

General Revenues:

Taxes, net of related credits:

Sales and use

Business and occupation

Property

Motor vehicle and fuel

Excise

Cigarette and tobacco

Public utilities

Insurance premium

Other

Interest and investment earnings

Total general revenues

Excess (deficiency) of revenues over expenses before contributions to endowments and transfers

Contributions to endowments

Transfers

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (485,640)	$ —	$ (485,640)	
(10,873,355)	—	(10,873,355)	
(2,133,113)	—	(2,133,113)	
(6,050,598)	—	(6,050,598)	
(1,035,909)	—	(1,035,909)	
(341,291)	—	(341,291)	
223,145	—	223,145	
(1,002,024)	—	(1,002,024)	
(21,698,785)	—	(21,698,785)	
—	(903,435)	(903,435)	
—	144,867	144,867	
—	34,095	34,095	
—	179,629	179,629	
—	(89,647)	(89,647)	
—	(41,899)	(41,899)	
—	(676,390)	(676,390)	
$ (21,698,785)	$ (676,390)	$ (22,375,175)	
			$ 46,099
			$ 46,099
11,154,008	—	11,154,008	—
4,182,744	—	4,182,744	—
3,347,110	—	3,347,110	22,722
1,731,565	—	1,731,565	—
1,599,522	22,570	1,622,092	—
422,264	—	422,264	—
481,571	—	481,571	—
630,657	—	630,657	—
1,313,813	—	1,313,813	17,414
561,344	501,765	1,063,109	3,466
25,424,598	524,335	25,948,933	43,602
3,725,813	(152,055)	3,573,758	89,701
108,860	—	108,860	—
151,536	(151,536)	—	—
3,986,209	(303,591)	3,682,618	89,701
24,927,759	(3,840,468)	21,087,291	782,742
$ 28,913,968	$ (4,144,059)	$ 24,769,909	$ 872,443

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Basic Financial Statements

Fund Financial Statements

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2018
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	$ 3,608,088	$ 171,357	$ 623,630	$ 4,249,446	$ 8,652,521
Investments	78,673	2,005,473	4,319,999	267,491	6,671,636
Taxes receivable (net of allowance)	4,566,740	21,179	—	222,088	4,810,007
Receivables (net of allowance)	721,729	652,579	31,870	908,366	2,314,544
Due from other funds	560,699	1,036,688	1,007	348,393	1,946,787
Due from other governments	1,528,168	216,633	1,700	2,530,363	4,276,864
Inventories and prepaids	13,743	29,046	—	48,765	91,554
Restricted cash and investments	28,734	924	—	60,235	89,893
Restricted receivables	20,189	41,748	—	5,154	67,091
Total Assets	$ 11,126,763	$ 4,175,627	$ 4,978,206	$ 8,640,301	$ 28,920,897
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 1,596,400	$ 269,006	$ 39,176	$ 318,245	$ 2,222,827
Accrued liabilities	314,990	506,373	69,808	194,927	1,086,098
Due to other funds	196,863	265,585	668,295	489,188	1,619,931
Due to other governments	1,216,476	33,486	—	132,628	1,382,590
Unearned revenue	141,549	232,593	—	87,307	461,449
Claims and judgments payable	54,160	—	—	91,655	145,815
Total Liabilities	3,520,438	1,307,043	777,279	1,313,950	6,918,710
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	2,176,261	13,731	16,143	166,535	2,372,670
Deferred inflows on hedging derivatives	—	—	—	3,869	3,869
Deferred inflows on irrevocable split interest agreements	—	—	45,663	—	45,663
Total Deferred Inflows of Resources	2,176,261	13,731	61,806	170,404	2,422,202
FUND BALANCES					
Nonspendable fund balance	45,400	45,292	2,466,357	256,672	2,813,721
Restricted fund balance	1,476,149	45,529	1,672,764	3,580,250	6,774,692
Committed fund balance	387,930	2,745,732	—	3,319,281	6,452,943
Assigned fund balance	1,513,952	18,300	—	—	1,532,252
Unassigned fund balance	2,006,633	—	—	(256)	2,006,377
Total Fund Balances	5,430,064	2,854,853	4,139,121	7,155,947	19,579,985
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 11,126,763	$ 4,175,627	$ 4,978,206	$ 8,640,301	$ 28,920,897

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Balance Sheet to the Statement of Net Position
GOVERNMENTAL FUNDS

June 30, 2018

(expressed in thousands)

Total Fund Balances for Governmental Funds		$ 19,579,985
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Non-depreciable assets	$ 28,853,054	
Depreciable assets	21,717,621	
Less: Accumulated depreciation	(10,346,859)	
Total capital assets		40,223,816
Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are considered deferred inflows in the funds.		2,372,670
Certain pension trust funds have been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a financial resource and therefore is not reported in the funds.		1,879,159
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not eported in the funds.		1,054,462
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the funds.		(1,685,600)
Unmatured interest on general obligation bonds is not recognized in the funds until due.		(400,919)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		(174,085)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds and other financing contracts payable	$ (23,336,688)	
Accreted interest on bonds	(433,372)	
Compensated absences	(644,972)	
Other postemployment benefits obligations	(4,918,779)	
Net pension liability	(3,791,499)	
Unclaimed property	(237,774)	
Pollution remediation obligations	(151,414)	
Claims and judgments	(41,195)	
Other obligations	(379,827)	
Total long-term liabilities		(33,935,520)
Net Position of Governmental Activities		$ 28,913,968

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Non-Major Governmental Funds	Total
REVENUES					
Retail sales and use taxes	$ 11,003,465	$ —	$ —	$ 150,543	$ 11,154,008
Business and occupation taxes	4,176,893	—	—	5,851	4,182,744
Property taxes	2,769,520	—	—	—	2,769,520
Excise taxes	1,139,260	48,673	—	411,589	1,599,522
Motor vehicle and fuel taxes	—	—	—	1,731,565	1,731,565
Other taxes	2,155,410	260,063	—	297,924	2,713,397
Licenses, permits, and fees	124,367	1,039	—	2,282,501	2,407,907
Other contracts and grants	330,381	983,150	—	133,147	1,446,678
Timber sales	1,924	—	23,393	121,026	146,343
Federal grants-in-aid	13,013,441	1,453,867	—	1,179,003	15,646,311
Charges for services	48,367	2,662,552	1	703,361	3,414,281
Investment income (loss)	656	140,795	372,260	47,634	561,345
Miscellaneous revenue	314,549	270,211	11,414	535,982	1,132,156
Contributions and donations	—	—	108,860	—	108,860
Unclaimed property	100,139	—	—	—	100,139
Total Revenues	35,178,372	5,820,350	515,928	7,600,126	49,114,776
EXPENDITURES					
Current:					
General government	864,370	25	156	490,506	1,355,057
Human services	18,686,072	—	—	1,130,848	19,816,920
Natural resources and recreation	464,952	—	—	663,064	1,128,016
Transportation	57,377	—	—	2,066,334	2,123,711
Education	13,066,900	5,453,803	327	581,132	19,102,162
Intergovernmental	101,822	—	—	402,297	504,119
Capital outlays	78,930	266,103	46	1,435,705	1,780,784
Debt service:					
Principal	14,407	28,383	—	1,101,427	1,144,217
Interest	3,525	27,265	—	1,004,018	1,034,808
Total Expenditures	33,338,355	5,775,579	529	8,875,331	47,989,794
Excess of Revenues Over (Under) Expenditures	1,840,017	44,771	515,399	(1,275,205)	1,124,982
OTHER FINANCING SOURCES (USES)					
Bonds issued	59,590	85,022	—	1,047,010	1,191,622
Refunding bonds issued	—	—	—	1,344,415	1,344,415
Payments to escrow agents for refunded bond debt	—	—	—	(1,604,794)	(1,604,794)
Issuance premiums	932	5,123	—	451,293	457,348
Other debt issued	1,976	34,580	—	10,423	46,979
Transfers in	686,088	768,562	37,263	3,142,348	4,634,261
Transfers out	(1,359,631)	(775,790)	(216,158)	(2,150,548)	(4,502,127)
Total Other Financing Sources (Uses)	(611,045)	117,497	(178,895)	2,240,147	1,567,704
Net Change in Fund Balances	1,228,972	162,268	336,504	964,942	2,692,686
Fund Balances - Beginning, as restated	4,201,092	2,692,585	3,802,617	6,191,005	16,887,299
Fund Balances - Ending	$ 5,430,064	$ 2,854,853	$ 4,139,121	$ 7,155,947	$ 19,579,985

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 2,692,686
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays	$ 1,236,753	
Less: Depreciation expense	(698,040)	538,713
Some revenues in the Statement of Activities do not provide current financial resources, and therefore, are unavailable in governmental funds. Also, revenues related to prior periods that became available during the current period are reported in governmental funds but are eliminated in the Statement of Activities. This amount is the net adjustment.		728,397
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.		74,910
Bond proceeds and other financing contracts provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. In the current period, these amounts consist of:		
Bonds and other financing contracts issued	$ (3,032,801)	
Principal payments on bonds and other financing contracts	2,711,600	
Accreted interest on bonds	24,263	(296,938)
Some expenses/revenue reductions reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized in governmental funds. Also payments of certain obligations related to prior periods are recognized in governmental funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consist of:		
Compensated absences	$ (60,221)	
Other postemployment benefits	(329,366)	
Pensions	559,798	
Pollution remediation	(561)	
Claims and judgments	(1,638)	
Accrued interest	4,462	
Unclaimed property	(40,363)	
Other obligations	116,330	248,441
Change in Net Position of Governmental Activities		$ 3,986,209

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2018
(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 45,490	$ 4,497,091	$ 770,719
Investments	1,479,717	—	27,761
Taxes receivable (net of allowance)	—	—	—
Receivables (net of allowance)	1,044,871	391,777	391,213
Due from other funds	600	3,348	17,563
Due from other governments	2,058	25,645	107,361
Inventories	149	—	43,681
Prepaid expenses	2,585	—	4,995
Restricted cash and investments	371	—	77,105
Restricted receivables	—	—	36,592
Total Current Assets	2,575,841	4,917,861	1,476,990
Noncurrent Assets:			
Investments, noncurrent	15,389,476	—	345,307
Restricted receivables, noncurrent	—	—	735
Restricted net pension asset	—	—	454
Other noncurrent assets	4,929	—	185,554
Capital assets:			
Land and other non-depreciable assets	3,204	—	70,766
Buildings	65,134	—	3,849,793
Other improvements	1,289	—	100,460
Furnishings, equipment, and intangibles	107,539	—	865,050
Infrastructure	—	—	59,019
Accumulated depreciation	(127,213)	—	(2,144,990)
Construction in progress	8,123	—	440,272
Total Noncurrent Assets	15,452,481	—	3,772,420
Total Assets	18,028,322	4,917,861	5,249,410
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refundings	—	—	38,792
Deferred outflows on pensions	26,527	—	79,831
Deferred outflows on OPEB	2,046	—	8,387
Total Deferred Outflows of Resources	28,573	—	127,010
Total Assets and Deferred Outflows of Resources	$ 18,056,895	$ 4,917,861	$ 5,376,420

The notes to the financial statements are an integral part of this statement.

Continued

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 258,790	$ 5,572,090	$ 570,714
962,962	2,470,440	4,241
40	40	—
59,325	1,887,186	79,163
12,190	33,701	93,101
5,551	140,615	79,879
9,365	53,195	15,507
213	7,793	14,113
—	77,476	197,113
—	36,592	2,240
1,308,436	10,279,128	1,056,071
1,287,020	17,021,803	236,187
—	735	—
—	454	—
104,526	295,009	—
1,540	75,510	6,155
12,828	3,927,755	524,991
5,774	107,523	14,972
33,013	1,005,602	976,212
—	59,019	2,170
(24,258)	(2,296,461)	(791,506)
8,166	456,561	87,181
1,428,609	20,653,510	1,056,362
2,737,045	30,932,638	2,112,433
71	38,863	1,476
12,719	119,077	48,482
2,257	12,690	3,683
15,047	170,630	53,641
$ 2,752,092	$ 31,103,268	$ 2,166,074

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2018
(expressed in thousands)

	Business-Type Activities		
	Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 29,182	$ —	$ 225,322
Accrued liabilities	221,403	69,686	375,773
Obligations under security lending agreements	99,810	—	—
Bonds and notes payable	—	—	96,726
Net pension liability	21	—	637
Total OPEB liability	2,046	—	8,387
Due to other funds	8,150	1,280	263,144
Due to other governments	—	22,821	30
Unearned revenue	7,647	—	54,456
Claims and judgments payable	2,226,223	—	—
Total Current Liabilities	2,594,482	93,787	1,024,475
Noncurrent Liabilities:			
Claims and judgments payable	25,548,080	—	—
Bonds and notes payable	—	—	2,424,636
Net pension liability	118,184	—	350,621
Total OPEB liability	127,225	—	521,606
Other long-term liabilities	7,765	—	89,501
Total Noncurrent Liabilities	25,801,254	—	3,386,364
Total Liabilities	28,395,736	93,787	4,410,839
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on refundings	—	—	23
Deferred inflows on pensions	19,188	—	56,728
Deferred inflows on OPEB	21,953	—	77,509
Total Deferred Inflows of Resources	41,141	—	134,260
NET POSITION			
Net investment in capital assets	58,076	—	757,775
Restricted for:			
Unemployment compensation	—	4,824,074	—
Pensions	—	—	454
Unrestricted	(10,438,058)	—	73,092
Total Net Position	(10,379,982)	4,824,074	831,321
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 18,056,895	$ 4,917,861	$ 5,376,420

The notes to the financial statements are an integral part of this statement.

Concluded

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 13,913	$ 268,417	$ 33,140
241,907	908,769	74,755
22,427	122,237	—
2,404	99,130	122,003
—	658	981
750	11,183	3,109
105,195	377,769	75,809
2,961	25,812	106,661
480	62,583	4,633
4,862	2,231,085	180,268
394,899	4,107,643	601,359
12,130	25,560,210	639,233
3,761	2,428,397	545,362
46,657	515,462	251,652
46,686	695,517	193,364
1,653,562	1,750,828	25,906
1,762,796	30,950,414	1,655,517
2,157,695	35,058,057	2,256,876
—	23	133
7,170	83,086	45,250
6,699	106,161	37,900
13,869	189,270	83,283
30,971	846,822	225,531
—	4,824,074	—
—	454	—
549,557	(9,815,409)	(399,616)
580,528	(4,144,059)	(174,085)
$ 2,752,092	$ 31,103,268	$ 2,166,074

Statement of Revenues, Expenses, and Changes in Net Position
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
OPERATING REVENUES			
Sales	$ —	$ —	$ 81,260
Less: Cost of goods sold	—	—	(45,060)
Gross profit	—	—	36,200
Charges for services	21	—	2,864,798
Premiums and assessments	2,724,896	1,022,997	—
Lottery ticket proceeds	—	—	—
Federal aid for unemployment insurance benefits	—	40,569	—
Miscellaneous revenue	49,811	16,343	198,513
Total Operating Revenues	2,774,728	1,079,909	3,099,511
OPERATING EXPENSES			
Salaries and wages	177,028	—	1,221,652
Employee benefits	64,793	—	260,288
Personal services	14,968	—	40,994
Goods and services	86,737	—	1,219,463
Travel	4,575	—	28,031
Premiums and claims	3,309,111	935,042	195
Guaranteed education tuition program expense	—	—	—
Lottery prize payments	—	—	—
Depreciation and amortization	8,499	—	185,991
Miscellaneous expenses	23,841	—	24,396
Total Operating Expenses	3,689,552	935,042	2,981,010
Operating Income (Loss)	(914,824)	144,867	118,501
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	249,355	97,943	21,681
Interest expense	—	—	(92,876)
Tax and license revenue	115	—	—
Other revenues (expenses)	11,390	—	8,469
Total Nonoperating Revenues (Expenses)	260,860	97,943	(62,726)
Income (Loss) Before Contributions and Transfers	(653,964)	242,810	55,775
Capital contributions	—	—	—
Transfers in	—	—	400,126
Transfers out	—	—	(362,065)
Net Contributions and Transfers	—	—	38,061
Change in Net Position	(653,964)	242,810	93,836
Net Position - Beginning, as restated	(9,726,018)	4,581,264	737,485
Net Position - Ending	$ (10,379,982)	$ 4,824,074	$ 831,321

The notes to the financial statements are an integral part of this statement.

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 95,153	$ 176,413	$ 41,400
(61,947)	(107,007)	(34,866)
33,206	69,406	6,534
121,932	2,986,751	722,928
11,427	3,759,320	1,776,313
733,938	733,938	—
—	40,569	—
4,268	268,935	177,764
904,771	7,858,919	2,683,539
73,997	1,472,677	320,953
28,985	354,066	123,049
18,062	74,024	37,909
99,950	1,406,150	360,825
2,419	35,025	5,153
—	4,244,348	1,676,383
167,252	167,252	—
457,904	457,904	—
2,828	197,318	98,254
368	48,605	775
851,765	8,457,369	2,623,301
53,006	(598,450)	60,238
132,787	501,766	5,150
(5,216)	(98,092)	(22,524)
22,455	22,570	15
292	20,151	8,038
150,318	446,395	(9,321)
203,324	(152,055)	50,917
—	—	4,591
14,115	414,241	62,222
(203,712)	(565,777)	(42,820)
(189,597)	(151,536)	23,993
13,727	(303,591)	74,910
566,801	(3,840,468)	(248,995)
$ 580,528	$ (4,144,059)	$ (174,085)

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

	Business-Type Activities		
	Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 2,694,811	$ 1,027,015	$ 2,840,143
Payments to suppliers	(2,244,492)	(937,961)	(1,258,987)
Payments to employees	(243,038)	—	(1,470,294)
Other receipts	49,812	57,023	198,514
Net Cash Provided (Used) by Operating Activities	257,093	146,077	309,376
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	—	—	400,126
Transfers out	—	—	(362,065)
Operating grants and donations received	10,760	—	13,313
Taxes and license fees collected	115	—	—
Net Cash Provided (Used) by Noncapital Financing Activities	10,875	—	51,374
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	—	—	(108,412)
Principal payments on long-term capital financing	—	—	(152,384)
Proceeds from long-term capital financing	—	—	211,620
Proceeds from sale of capital assets	2	—	1,731
Acquisitions of capital assets	(1,504)	—	(421,058)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,502)	—	(468,503)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	1,567,421	97,943	2,540
Proceeds from sale of investment securities	7,763,465	—	85,688
Purchases of investment securities	(9,587,170)	—	(88,061)
Net Cash Provided (Used) by Investing Activities	(256,284)	97,943	167
Net Increase (Decrease) in Cash and Pooled Investments	10,182	244,020	(107,586)
Cash and cash equivalents, July 1, as restated	35,679	4,253,071	955,410
Cash and cash equivalents, June 30	$ 45,861	$ 4,497,091	$ 847,824
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ (914,824)	$ 144,867	$ 118,501
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	8,499	—	185,991
Revenue reduced for uncollectible accounts	20,490	—	1,229
Change in Assets: Decrease (Increase)			
Receivables	(30,316)	4,129	(104,393)
Inventories	27	—	(2,793)
Prepaid expenses	(979)	—	5,673
Other assets	—	—	(220)
Change in Deferred Outflows of Resources: Increase (Decrease)	10,151	—	27,404
Change in Liabilities: Increase (Decrease)			
Payables	1,125,430	(2,919)	(49,765)
Change in Deferred Inflows of Resources: Decrease (Increase)	38,615	—	127,749
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 257,093	$ 146,077	$ 309,376

The notes to the financial statements are an integral part of this statement.

Continued

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ 975,875	$ 7,537,844	$ 2,433,355
(856,459)	(5,297,899)	(2,070,620)
(100,447)	(1,813,779)	(451,255)
4,247	309,596	178,643
23,216	735,762	90,123
14,115	414,241	62,222
(203,712)	(565,777)	(42,820)
82,458	106,531	868
22,413	22,528	15
(84,726)	(22,477)	20,285
(200)	(108,612)	(25,944)
(415)	(152,799)	(44,168)
—	211,620	42,391
3,231	4,964	16,339
(8,278)	(430,840)	(94,815)
(5,662)	(475,667)	(106,197)
279,619	1,947,523	6,598
2,436,421	10,285,574	1,108
(2,507,350)	(12,182,581)	(191,245)
208,690	50,516	(183,539)
141,518	288,134	(179,328)
117,272	5,361,432	947,155
$ 258,790	$ 5,649,566	$ 767,827
$ 53,006	$ (598,450)	$ 60,238
2,828	197,318	98,254
39	21,758	437
12,945	(117,635)	(106,435)
(1,232)	(3,998)	(618)
(5)	4,689	(750)
—	(220)	—
157	37,712	19,813
(58,110)	1,014,636	(52,937)
13,588	179,952	72,121
$ 23,216	$ 735,762	$ 90,123

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributions of capital assets	$ —	$ —	$ —
Acquisition of capital assets through capital leases	—	—	1,901
Amortization of annuity prize liability	—	—	—
Increase (decrease) in fair value of investments	(1,321,453)	—	(243)
Debt refunding deposited with escrow agent	—	—	10,695
Amortization of debt premium/discount	—	—	19,240
Increase in ownership of joint venture	—	—	17,332

The notes to the financial statements are an integral part of this statement.

Concluded

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ —	$ —	$ 4,591
—	1,901	305
5,083	5,083	—
(145,769)	(1,467,465)	(2,036)
—	10,695	—
67	19,307	3,611
—	17,332	—

Statement of Net Position
FIDUCIARY FUNDS
June 30, 2018
(expressed in thousands)

Continued

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash and cash equivalents	$ 6,781	$ 6,405,092	$ 45,365	$ 195,567
Receivables, pension and other employee benefit plans:				
Employers	—	—	212,554	—
Members (net of allowance)	—	—	7,528	—
Interest and dividends	—	—	303,174	—
Investment trades pending	—	—	2,307,463	—
Due from other pension and other employee benefit funds	—	—	85,793	—
Other receivables, all other funds	—	10,428	131	10,796
Due from other governments	—	—	—	23,074
Investments:				
Liquidity	—	4,853,457	3,122,079	—
Fixed income	—	1,113,805	21,568,336	—
Public equity	—	—	43,154,158	—
Private equity	—	—	21,785,134	—
Real estate	—	—	17,212,474	—
Tangible assets	—	—	4,389,299	—
Security lending collateral	—	—	662,844	—
Other noncurrent assets	—	—	—	60,087
Capital assets:				
Furnishings, equipment, and intangibles	37	—	—	—
Accumulated depreciation	(35)	—	—	—
Total Assets	6,783	12,382,782	114,856,332	289,524
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on OPEB	—	—	13	—
Total Deferred Outflows of Resources	—	—	13	—
Total Assets and Deferred Outflows of Resources	$ 6,783	$ 12,382,782	$ 114,856,345	$ 289,524

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
FIDUCIARY FUNDS
June 30, 2018
(expressed in thousands)

Concluded

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Accounts payable	$ 99	$ —	$ —	$ 23,424
Contracts payable	—	—	—	26,923
Accrued liabilities	218	47	2,715,381	158,378
Obligations under security lending agreements	—	—	662,844	—
Due to other funds	—	80	—	—
Due to other pension and other employee benefit funds	—	—	85,793	—
Due to other governments	—	55,940	—	20,712
Unearned revenue	—	—	673	—
Other long-term liabilities	—	—	—	60,087
Total Liabilities	317	56,067	3,464,691	289,524
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on OPEB	—	—	38	—
Total Deferred Inflows of Resources	—	—	38	—
Total Liabilities and Deferred Inflows of Resources	317	56,067	3,464,729	$ 289,524
NET POSITION				
Net position restricted for:				
Pensions	—	—	106,960,739	
Deferred compensation participants	—	—	4,430,877	
Local government pool participants	—	12,326,715	—	
Individuals, organizations, and other governments	6,466	—	—	
Total Net Position	$ 6,466	$ 12,326,715	$ 111,391,616	

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Net Position
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
ADDITIONS			
Contributions:			
Employers	$ —	$ —	$ 2,644,160
Members	—	—	1,634,050
State	—	—	84,579
Participants	—	21,095,305	275,725
Total Contributions	—	21,095,305	4,638,514
Investment Income:			
Net appreciation (depreciation) in fair value	—	—	7,760,007
Interest and dividends	—	151,955	2,338,780
Earnings on investments	—	27	—
Less: Investment expenses	—	—	(538,452)
Net Investment Income (Loss)	—	151,982	9,560,335
Other Additions:			
Unclaimed property	76,418	—	—
Transfers from other plans	—	—	11,224
Miscellaneous revenue	2	6	17,982
Total Other Additions	76,420	6	29,206
Total Additions	76,420	21,247,293	14,228,055
DEDUCTIONS			
Pension benefits	—	—	4,318,329
Pension refunds	—	—	619,678
Transfers to other plans	—	—	11,224
Administrative expenses	6,489	1,351	2,920
Distributions to participants	—	19,827,493	232,496
Payments to or on behalf of individuals, organizations, and other governments in accordance with state unclaimed property laws	68,401	—	—
Total Deductions	74,890	19,828,844	5,184,647
Net Increase (Decrease)	1,530	1,418,449	9,043,408
Net Position - Beginning, as restated	4,936	10,908,266	102,348,208
Net Position - Ending	$ 6,466	$ 12,326,715	$ 111,391,616

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
COMPONENT UNITS
June 30, 2018
(expressed in thousands)

Continued

	Public Stadium Authority	Health Benefit Exchange	Valley Medical Center	Nonmajor Component Units	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 9,354	$ 3,535	$ 77,931	$ 58,643	$ 149,463
Investments	—	—	41,431	48,952	90,383
Receivables (net of allowance)	1,007	10,074	83,949	7,758	102,788
Inventories	—	—	6,627	—	6,627
Prepaid expenses	—	1,412	16,942	325	18,679
Total Current Assets	10,361	15,021	226,880	115,678	367,940
Noncurrent Assets:					
Investments, noncurrent	—	—	66,663	—	66,663
Restricted investments, noncurrent	—	—	13,318	—	13,318
Other noncurrent assets	—	174	—	288,034	288,208
Capital assets:					
Land	34,677	—	13,414	—	48,091
Buildings	460,953	—	457,628	—	918,581
Other improvements	—	740	18,859	176	19,775
Furnishings, equipment, and intangible assets	9,099	55,654	219,104	1,886	285,743
Accumulated depreciation	(253,318)	(46,176)	(370,356)	(1,828)	(671,678)
Construction in progress	—	1,750	44,592	—	46,342
Total Noncurrent Assets	251,411	12,142	463,222	288,268	1,015,043
Total Assets	261,772	27,163	690,102	403,946	1,382,983
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on refundings	—	—	12,491	—	12,491
Deferred outflows on pensions	13	1,843	—	841	2,697
Deferred outflows on OPEB	—	—	—	57	57
Total Deferred Outflows of Resources	13	1,843	12,491	898	15,245
Total Assets and Deferred Outflows of Resources	$ 261,785	$ 29,006	$ 702,593	$ 404,844	$ 1,398,228

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
COMPONENT UNITS
June 30, 2018
(expressed in thousands)

Concluded

	Public Stadium Authority	Health Benefit Exchange	Valley Medical Center	Nonmajor Component Units	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 44	$ 14,158	$ 20,058	$ 793	$ 35,053
Accrued liabilities	1,752	861	92,652	37,190	132,455
Total OPEB Liability	—	—	—	19	19
Unearned revenue	100	—	—	8,647	8,747
Total Current Liabilities	1,896	15,019	112,710	46,649	176,274
Noncurrent Liabilities:					
Net pension liability	217	6,917	—	4,507	11,641
Total OPEB liability	—	1,084	—	3,570	4,654
Other long-term liabilities	—	175	305,057	—	305,232
Total Noncurrent Liabilities	217	8,176	305,057	8,077	321,527
Total Liabilities	2,113	23,195	417,767	54,726	497,801
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows on property taxes	—	—	25,031	—	25,031
Deferred inflows on pensions	36	1,707	—	681	2,424
Deferred inflows on OPEB	—	—	—	529	529
Total Deferred Inflows of Resources	36	1,707	25,031	1,210	27,984
NET POSITION					
Net investment in capital assets	251,411	11,967	87,817	234	351,429
Restricted for:					
Deferred sales tax	450	—	—	—	450
Other purposes	—	—	8,240	1,083	9,323
Unrestricted	7,775	(7,863)	163,738	347,591	511,241
Total Net Position	259,636	4,104	259,795	348,908	872,443
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 261,785	$ 29,006	$ 702,593	$ 404,844	$ 1,398,228

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Position
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

	Public Stadium Authority	Health Benefit Exchange	Valley Medical Center	Nonmajor Component Units	Total
EXPENSES	$ 17,648	$ 47,662	$ 639,095	$ 23,094	$ 727,499
PROGRAM REVENUES					
Charges for services	3,785	26,333	636,725	75,289	742,132
Operating grants and contributions	—	29,298	—	2,168	31,466
Total Program Revenues	3,785	55,631	636,725	77,457	773,598
Net Program Revenues (Expense)	(13,863)	7,969	(2,370)	54,363	46,099
GENERAL REVENUES					
Earnings (loss) on investments	88	—	2,468	910	3,466
Property taxes	—	—	22,722	—	22,722
Other	—	—	17,414	—	17,414
Total General Revenues	88	—	42,604	910	43,602
Change in Net Position	(13,775)	7,969	40,234	55,273	89,701
Net Position - Beginning, as restated	273,411	(3,865)	219,561	293,635	782,742
Net Position - Ending	$ 259,636	$ 4,104	$ 259,795	$ 348,908	$ 872,443

The notes to the financial statements are an integral part of this statement.

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 1
Summary of Significant Accounting Policies

The accompanying financial statements of the state of Washington have been prepared in conformity with generally accepted accounting principles (GAAP). The Office of Financial Management (OFM) is the primary authority for the state's accounting and reporting requirements. OFM has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is nationally accepted as the standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the significant accounting policies:

A. REPORTING ENTITY

In defining the state of Washington for financial reporting purposes, management considers all funds, organizations, institutions, agencies, departments, and offices that are legally part of the state (the primary government) and organizations that are financially accountable to the state. Additionally, other organizations that do not meet the financial accountability criteria may be included in the reporting entity if the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading.

Financial accountability exists when the primary government appoints a voting majority of an organization's governing body and is either (1) able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board. An organization is fiscally dependent if it is unable to determine its budget without another government having the substantive authority to approve or modify that budget, to levy taxes or set rates or charges without substantive approval by another government, or to issue bonded debt without substantive approval by another government. The organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists: (1) the primary government is legally entitled to or can access the organization's resources, (2) the primary government is legally obligated or has otherwise assumed the obligation to finance or provide financial support to the organization, (3) the primary government is obligated in some manner for the debt of the organization.

Based on these criteria, the following are included in the financial statements of the primary government:

State Agencies. Except as otherwise described herein, all state elected offices, departments, agencies, commissions, boards, committees, authorities, councils (agencies), and all funds and subsidiary accounts of the state are included in the primary government. Executives of these agencies are either elected, directly appointed by the Governor, appointed by a board which is appointed by the Governor, or appointed by a board which is in part appointed by the Governor. Additionally, a small number of board positions are established by statute or independently elected.

The Legislature creates these agencies, assigns their programs, approves operational funding, and requires financial accountability. The Legislature also authorizes all bond issuances for capital construction projects for the benefit of state agencies. The legal liability for these bonds and the ownership of agency assets reside with the state.

Colleges and Universities. The governing boards of the five state universities, the state college, and the 34 state community and technical colleges are appointed by the Governor. The governing board of each college and university appoints a president to function as chief administrator. The Legislature approves budgets and budget amendments for the appropriated funds of each college and university, which include the state's General Fund as well as certain capital projects funds. The State Treasurer issues general obligation debt for major campus construction projects. However, the colleges and universities are authorized to issue revenue bonds.

The University of Washington (UW) and Washington State University issue general revenue bonds that are payable from general revenues, including student tuition, grant indirect cost recovery, sales and services revenue, and investment income. All other revenue bonds issued by colleges and universities pledge the income derived from acquired or constructed assets such as housing, dining, and parking facilities. These revenue bonds are payable solely from, and secured by, fees and revenues derived from the operation of constructed facilities. The legal liability for the bonds and the ownership of the college and university assets reside with the state.

Colleges and universities do not have separate corporate powers and sue and are sued as part of the state with legal representation provided through the state Attorney General's Office. Since the colleges and universities are legally part of the state, their financial operations, including their blended component units, are reported in the state's financial statements using the fund structure prescribed by GASB.

Retirement Systems. The state of Washington, through the Department of Retirement Systems (DRS), administers eight retirement systems for public employees of the state and political subdivisions: the Public Employees' Retirement System, the Teachers' Retirement System, the School Employees' Retirement System, the Law Enforcement Officers' and Fire Fighters' Retirement System, the Washington State Patrol Retirement System, the Public Safety Employees' Retirement System, the Judicial Retirement System, and the Judges' Retirement Fund. The director of DRS is appointed by the Governor.

There are three additional retirement systems administered outside of the DRS. The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund is administered through the State Board for Volunteer Fire Fighters and Reserve Officers, which is appointed by the Governor. The Judicial Retirement Account is administered through the Administrative Office of the Courts under the direction of the Board for Judicial Administration. The Higher Education Retirement Plan Supplemental Benefit Fund Plans are administered by the state's colleges and universities.

The Legislature establishes laws pertaining to the creation and administration of all public retirement systems. The participants of the public retirement systems, together with the state, provide funding for all costs of the systems based upon actuarial valuations. The state establishes benefit levels and approves the actuarial assumptions used in determining contribution levels.

All of the aforementioned retirement systems are included in the primary government's financial statements.

Blended Component Units

Blended component units, although legally separate entities, are part of the state's operations in substance. Accordingly, they are reported as part of the state and blended into the appropriate funds. Financial information for the state's blended component units may be obtained from the Office of Financial Management, Accounting Division, P.O. Box 43127, Olympia, WA 98504-3127. The following entities are blended in the state's financial statements:

Tobacco Settlement Authority was created by the Legislature in March 2002 as a public instrumentality separate and distinct from the state. It is governed by a five-member board appointed by the Governor. It was created solely for the purpose of issuing bonds to securitize a portion of the state's future tobacco settlement revenue. Proceeds of the debt instrument were transferred to the state to help fund health care, long-term care, and other programs of the state. Refer to Note 7.A for additional information.

University of Washington Physicians (UWP) was established for the exclusive benefit of the University of Washington School of Medicine (UWSOM). UWP employs UWSOM faculty and bills and collects for their clinical services as an agent for UWSOM.

UW Medicine Neighborhood Clinics (UW Neighborhood Clinics) were established for the exclusive benefit of the UWSOM, UWP and its affiliated medical centers, Harborview Medical Center and the UW Medical Center. The UW Neighborhood Clinics were organized to coordinate and develop patient care in a community clinical setting. They enhance the academic environment of UWSOM by providing additional sites of primary care practice and training for faculty, residents, and students.

Washington Biomedical Research Properties I and II, and Washington Biomedical Research Facilities 3, 3.2, and 3.3 were formed to acquire, construct, or renovate certain real properties for the benefit of the UW in fulfilling its educational, medical, or scientific research missions.

Tumwater Office Properties and FYI Properties were formed to design and construct office facilities to house state employees. The facilities were financed with tax-exempt obligations that meet the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 issued by the Internal Revenue Service.

Northwest Hospital and Medical Center was created January 1, 2010, under an affiliation agreement between UW Medicine and Northwest Hospital and Medical Center (Northwest Hospital). UW Medicine is an academic medical center comprised of UWSOM, UW Neighborhood Clinics, UW Medical Center, Harborview Medical Center, UWP, as well as the University's membership in the Seattle Cancer Care Alliance and the Children's University Medical Group.

Northwest Hospital is a 281-bed full service acute care hospital. The University is the sole corporate member of Northwest Hospital.

Discrete Component Units

Discretely presented component units are reported in a separate column in the government-wide financial statements. Discretely presented component units are legally separate from the state and primarily serve or benefit those outside of the state. They are financially accountable to the state or have relationships with the state such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These entities are reported as discrete component units because state officials either serve on or appoint the members of the governing bodies of the authorities. The state also has the ability to influence the operations of the authorities through legislation.

The state's component units each have a year end of June 30 with the exception of the Washington Economic Development Finance Authority which has a December 31 year end.

The following entities are discretely presented in the financial statements of the state in the component unit's column:

The **Washington State Public Stadium Authority (PSA)** was created by the Legislature to acquire, construct, own, and operate a football/soccer stadium, exhibition center, and parking garage. Construction was completed in 2002. At June 30, 2018, PSA capital assets, net of accumulated depreciation, total $251.4 million. The state issued general obligation bonds for a portion of the cost of the stadium construction. The total public share of the stadium and exhibition center cost did not exceed $300 million from all state and local government funding sources, as required in statute.

Project costs in excess of $300 million were the responsibility of the project's private partner, First & Goal, Inc. The bonds are being repaid through new state lottery games, a state sales tax credit, extension of the local hotel/motel tax, and parking and admissions taxes at the new facility.

Financial reports of the PSA may be obtained at the following address:

Washington State Public Stadium Authority
CenturyLink Field & Event Center
800 Occidental Avenue South, #700
Seattle, WA 98134

The **Washington Health Benefit Exchange (Exchange)** was created by the Legislature to implement a central marketplace for individuals, families, and small employers to shop for health insurance and access federal tax credits pursuant to the Patient Protection and Affordable Care Act of 2010. Federal grant funding financed the Exchange design, development, and implementation phases as well as the first full year of operation during 2014. Beginning in 2015, the Exchange became self-sustaining through Medicaid program cost reimbursements, premium tax assessments, and other assessments.

Financial reports of the Exchange may be obtained at the following address:

Washington Health Benefit Exchange
810 Jefferson Street SE
PO Box 657
Olympia, WA 98507

Valley Medical Center was created July 1, 2011, through a strategic alliance between UW Medicine and Public Hospital District No. 1 of King County. Valley Medical Center owns and operates a 321-bed full service acute care hospital and 45 clinics located throughout southeast King County.

Financial reports of Valley Medical Center may be obtained at the following address:

Valley Medical Center
400 S. 43rd Street
Renton, WA 98055-5010

The **Washington State Housing Finance Commission,** the **Washington Higher Education Facilities Authority,** the **Washington Health Care Facilities Authority,** and the **Washington Economic Development Finance Authority** (financing authorities) were created by the Legislature in a way that specifically prevents them from causing the state to be liable or responsible for their acts and obligations including, but not limited to, any obligation to pay principal and interest on financing authority bonds. The financing authorities cannot obligate the state, either legally or morally, and the state has not assumed any obligation of, or with respect to, the financing authorities.

Financial reports of these financing authorities may be obtained from each authority at the following addresses:

Washington Health Care Facilities Authority
410 11th Avenue SE, Suite 201
Olympia, WA 98501

Washington State Housing Finance Commission
Washington Higher Education Facilities Authority
Washington Economic Development Finance Authority
1000 Second Avenue, Suite 2700
Seattle, WA 98104

Joint Ventures

In 1998, the University of Washington Medical Center (Medical Center) entered into an agreement with Seattle Children's Hospital and Fred Hutchinson Cancer Research Center to establish the **Seattle Cancer Care Alliance (SCCA)**. Each member of the SCCA has a one-third interest. The mission of the SCCA is to eliminate cancer as a cause of human suffering and death and to become recognized as the premier cancer research and treatment center in the Pacific Northwest. The SCCA integrates the cancer research, teaching, and clinical cancer programs of all three institutions to provide state-of-the-art cancer care. Under the agreement, the Medical Center provides the patient care to all adult inpatients of the SCCA.

Inpatient Services - The SCCA operates a 20-bed unit located within the Medical Center in which its adult inpatients receive care. The fiscal intermediary has determined that the 20-bed unit qualifies as a hospital within a hospital for Medicare reimbursement purposes. The SCCA provides medical oversight and management of the inpatient unit. Under agreements, the Medical Center provides inpatient care services to the SCCA including necessary personnel, equipment, and ancillary services.

Outpatient Services - The SCCA operates an ambulatory cancer care service facility in Seattle. The Medical Center provides various services to the SCCA's outpatient facility including certain pharmacy, laboratory, and pathology services as well as billing, purchasing, and other administrative services.

The state accounts for the Medical Center's interest in the SCCA under the equity method of accounting. Income of $17.3 million was recorded in fiscal year 2018, bringing the total equity investment to $159.1 million which is recognized in the state's financial statements in the Higher Education Student Services Fund.

Separate financial statements for the SCCA may be obtained from:

Seattle Cancer Care Alliance
825 Eastlake Avenue East
PO Box 19023
Seattle, WA 98109-1023

The University of Washington and Seattle Children's Hospital established **Children's University Medical Group (CUMG)** to assist the organizations in carrying out their pediatric patient care, as well as charitable, educational, and scientific missions.

CUMG employs UWSOM faculty physicians and bills and collects for their services as an agent for UWSOM. The University records revenue from CUMG based on the income distribution plan effective December 31, 2008. The University's patient services receivable includes amounts due from CUMG of $17.5 million in 2018.

Separate financial statements for CUMG may be obtained from:

Children's University Medical Group
4500 Sand Point Way NE, Suite 100
Seattle, WA 98105

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The state presents two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities. These government-wide financial statements report information on all non-fiduciary activities of the primary government and its component units. The financial information for the primary government is distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Statement of Net Position. The Statement of Net Position presents the state's non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. As a general rule, balances between governmental and business-type activities are eliminated.

Statement of Activities. The Statement of Activities reports the extent to which each major state program is supported by general state revenues or is self-financed through fees and intergovernmental aid. For governmental activities, a major program is defined as a function. For business-type activities, a major program is an identifiable activity.

Program revenues offset the direct expenses of major programs. Direct expenses are those that are clearly identifiable within a specific function or activity. Program revenues are identified using the following criteria:

- Charges to customers for goods and services of the program. A customer is one who directly benefits from the goods or services or is otherwise directly affected by the program, such as a state citizen or taxpayer, or other governments or nongovernmental entities.

- Amounts received from outside entities that are restricted to one or more specific programs. These amounts can be operating or capital in nature.

- Earnings on investments that are restricted to a specific program.

General revenues consist of taxes and other items not meeting the definition of program revenues.

Generally, the effect of internal activities is eliminated. Exceptions to this rule include charges between the workers' compensation insurance programs and various other state programs and functions. Elimination of these charges would distort the direct costs and revenues reported for the various activities involved.

Fund Financial Statements

The state uses 715 accounts that are combined into 52 rollup funds. The state presents separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements, with nonmajor funds being combined into a single column regardless of fund type. Internal service and fiduciary funds are reported by fund type. Major funds include:

Major Governmental Funds:

- **General Fund** is the state's primary operating fund. This fund accounts for all financial resources and transactions not accounted for in other funds.

- **Higher Education Special Revenue Fund** primarily accounts for tuition, student fees, and grants and contracts received for educational and research purposes.

- **Higher Education Endowment Permanent Fund** accounts for gifts and bequests that the donors have specified must remain intact. Each gift is governed by various restrictions on the investment and use of the income earned on investments.

Major Enterprise Funds:

- **Workers' Compensation Fund** accounts for the workers' compensation program that provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.

- **Unemployment Compensation Fund** accounts for the unemployment compensation program. It accounts for the deposit of funds, requisitioned from the Federal Unemployment Trust Fund, to provide services to eligible participants within the state and to pay unemployment benefits.

- **Higher Education Student Services Fund** is used by colleges and universities principally for bookstore, cafeteria, parking, student housing, food service, and hospital business enterprise activities.

The state includes the following nonmajor funds:

Nonmajor Governmental Funds:

- **Special Revenue Funds** account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, other governments, or for major capital projects) that are restricted or committed to expenditures for specific purposes. These include a variety of state programs including public safety and health assistance programs; natural resource and wildlife protection and management programs; the state's transportation programs which include the operation of the state's ferry system and maintenance and preservation of interstate and non-interstate highway systems; driver licensing, highway and non-highway operations, and capital improvements; K-12 school construction; and construction and loan programs for local public works projects.

- **Debt Service Funds** account for the accumulation of resources that are restricted or committed to expenditures for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities.

- **Capital Projects Funds** account for financial resources that are restricted or committed to expenditures for the acquisition, construction, or improvement of major state-owned capital facilities (other than highway infrastructure or those financed by proprietary funds).

- **Common School Permanent Fund** accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

Nonmajor Proprietary Funds:

- **Enterprise Funds** account for the state's business type operations for which a fee is charged to external users for goods or services including: the state lottery, vocational/education programs at correctional institutions, the Guaranteed Education Tuition program, paid family and medical leave compensation, and other activities.

- **Internal Service Funds** account for the provision of legal, motor pool, data processing, risk management, health insurance, and other services by one department or agency to other departments or agencies of the state on a cost-reimbursement basis.

Nonmajor Fiduciary Funds:

- **Pension (and other employee benefit) Trust Funds** are used to report resources that are required to be held in trust by the state for the members and beneficiaries of defined benefit pension plans, defined contribution pension plans, and other employee benefit plans.

- **Investment Trust Fund** accounts for the external portion of the local government investments, which is reported by the state as the sponsoring government.

- **Private-Purpose Trust Fund** is used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments such as the administration of unclaimed property.

- **Agency Funds** account for resources held by the state in a custodial capacity for other governments, private organizations, or individuals.

Operating and Nonoperating Revenues and Expenses. The state's proprietary funds make a distinction between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing goods and services directly related to the principal operations of the funds. For example, operating revenues for the state's workers' compensation and health insurance funds consist of premiums and assessments collected.

Operating expenses consist of claims paid to covered individuals, claims adjustment expenses, costs of commercial insurance coverage, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating, including interest expense and investment gains and losses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

For government-wide reporting purposes, the state uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For fund statement reporting purposes, the state uses the current financial resources measurement focus and modified accrual basis of accounting for governmental funds. With the current financial resources measurement focus, generally only current assets, current liabilities, deferred outflows of resources, and deferred inflows of resources are included on the governmental funds balance sheet. Operating statements for these funds present inflows (i.e., revenues and other financing sources) and outflows (i.e., expenditures and other financing uses) of expendable financial resources.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be reasonably estimated. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary revenues that are determined to be susceptible to accrual include sales taxes, business and occupation taxes, motor fuel taxes, federal grants-in-aid, and charges for services.

Revenues from property taxes are determined to be available if collectible within 60 days. Taxes imposed on exchange transactions are accrued when the underlying exchange transaction occurs if collectible within one year. Revenue for timber cutting contracts is accrued when the timber is harvested. Revenues from licenses, permits, and fees related to a future time period are recognized when received in cash. Revenues related to expenditure-driven grant agreements are recognized when the qualifying expenditures are made, provided that the availability criteria are met. Expenditure-driven grant revenue is considered available if it can be collected by the state at the same time cash is disbursed to cover the associated grant expenditure. Pledges are accrued when the eligibility requirements are met and resources are available. All other accrued revenue sources are determined to be available if collectible within 12 months.

Property taxes are levied in December for the following calendar year. The first half-year collections are due by April 30, and the second half-year collections are due by October 31. Since the state is on a fiscal year ending June 30, the first half-year collections are recognized as revenue if collectible within 60 days of the fiscal year end. The second half-year collections are recognized as receivables offset by unavailable revenue. The lien date on property taxes is January 1 of the tax levy year.

Under modified accrual accounting, expenditures are generally recognized when the related liability is incurred. However, unmatured interest on general long-term obligations is recognized when due. Certain liabilities including compensated absences, other postemployment benefits, and claims and judgments are recognized when the obligations are expected to be liquidated with available spendable financial resources.

The state reports both unavailable and unearned revenues on its governmental fund balance sheet. Unavailable revenues arise when a potential revenue does not meet both the “measurable” and the “available” criteria for revenue recognition in the current period. Unearned revenues arise when resources are received by the state before it has a legal claim to them, such as when grant monies are received prior to incurring qualifying expenditures/expenses.

All proprietary and trust funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets, liabilities, deferred outflows of resources, and deferred inflows of resources associated with the operations of these funds are included on their respective statements of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

All proprietary and trust funds are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

D. ASSETS, LIABILITES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

1. Cash and Investments

Investments of surplus or pooled cash balances are reported on the accompanying Statements of Net Position, Balance Sheets, and Statements of Cash Flows as “Cash and Cash Equivalents.” The Office of the State Treasurer invests state treasury cash surplus where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at fair value or amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates.

The method of accounting for investments varies depending upon the fund classification. Investments in the state's Local Government Investment Pool (LGIP), a qualified external investment pool, are reported at amortized cost which approximates fair value. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, WA 98504-0200, online at: https://tre.wa.gov/partners/for-local-governments/local-government-investment-pool-lgip/lgip-comprehensive-annual-financial-report/ or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

The fair value of certain pension trust fund investments that are organized as limited partnerships and have no readily ascertainable fair values (including real estate, private equity, and tangible assets) has been determined by using the net asset value per share of the Pension Funds' ownership interest in partners' capital. These values are based on the individual investee's capital account balance reported at fair value at the closest available reporting period, adjusted for subsequent activity. At June 30, 2018, these alternative investments are valued at $43.39 billion. Because of the inherent uncertainties in the estimation of fair values, it is possible that the estimates will change in the near-term or the subsequent sale of assets will be different than the June 30, 2018, reported net asset value.

Short-term money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. Nonparticipating contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

All other investments are reported at fair value. Fair values are based on published market prices, quotations from national security exchanges and security pricing services, or by the respective fund managers for securities that are not actively traded. Privately held mortgages are valued at cost, which approximates fair value. Additional disclosure describing investments is provided in Note 3.

2. Receivables and Payables

Receivables in the state's governmental fund type accounts consist primarily of taxes and federal revenues. Receivables in all other funds have arisen in the ordinary course of business. Receivables are recorded when either the asset or revenue recognition criteria (refer to Note 1.C) have been met. All receivables are reported net of an allowance for accounts estimated to be uncollectible.

For government-wide reporting purposes, amounts recorded as interfund/interagency receivables and payables are eliminated in the governmental and business-type activities columns on the Statement of Net Position, except for the net residual balances due between the governmental and business-type activities, which are reported as internal balances.

Amounts recorded in governmental and business-type activities as due to or from fiduciary funds have been reported as due to or from other governments.

3. Inventories and Prepaids

Consumable inventories, consisting of expendable materials and supplies held for consumption, are valued and reported in the state's financial statements if the fiscal year-end balance on hand at an inventory control point is estimated to be $50,000 or more. Consumable inventories are valued at cost using either the first-in, first-out or weighted average methods. Donated consumable inventories are recorded at fair value.

All merchandise inventories are considered reportable for financial statement purposes. Merchandise inventories are generally valued at cost using the first-in, first-out method. Inventories of governmental funds are valued at cost and recorded using the consumption method. Proprietary funds expense inventories when used or sold.

For governmental fund financial reporting, inventory balances are also recorded as a nonspendable fund balance indicating that they do not constitute "available spendable resources," except for $6.1 million in federally donated consumable inventories, which are offset by unearned revenue because they are not earned until they are distributed to clients.

Prepaid items are those certain types of supplies and/or services (not inventory) that are acquired or purchased during an accounting period but not used or consumed during that accounting period.

In governmental fund type accounts, prepaid items are generally accounted for using the purchases method. Under the purchases method, prepaid items are treated as expenditures when purchased and residual balances, if any, at year end are not accounted for as assets.

In proprietary and trust fund type accounts, prepaid items are accounted for using the consumption method. The portion of supplies or services consumed or used during a period is recorded as an expense. The balance that remains is reported as an asset until consumed or used.

4. Restricted Assets

Certain cash, investments, and other assets are classified as restricted assets on the Statement of Net Position and Balance Sheet because their use is limited by debt covenants, escrow arrangements, or other regulations.

5. Capital Assets

Capital assets are tangible and intangible assets held and used in state operations, which have a service life of more than one year and meet the state's capitalization policy.

It is the state's policy to capitalize:

- All land, including land use rights with indefinite lives acquired with the purchase of the underlying land, and ancillary costs.

- The state highway system operated by the Department of Transportation.

- Infrastructure, other than the state highway system, with a cost of $100,000 or more.

- Buildings, building improvements, improvements other than buildings, and leasehold improvements with a cost of $100,000 or more.

- Intangible assets, either purchased or internally developed, with a cost of $1 million or more that are identifiable by meeting one of the following conditions:

    - The asset is capable of being separated or divided and sold, transferred, licensed, rented, or exchanged.

    - The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable.

- All capital assets acquired with Certificates of Participation, a debt financing program administered by the Office of the State Treasurer.

- All other capital assets with a unit cost (including ancillary costs) of $5,000 or greater, or collections with a total cost of $5,000 or greater.

Assets acquired by capital leases are capitalized if the assets' fair market value meets the state's capitalization thresholds described above.

Purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Capital asset costs include the purchase price plus those costs necessary to place the asset in its intended location and condition for use (ancillary costs). Normal maintenance and repair costs that do not materially add to the value or extend the life of the state's capital assets are not capitalized.

Donated capital assets, works of art, and historical treasures are valued at their estimated acquisition value on the date of donation, plus all appropriate ancillary costs. When the acquisition value is not practically determinable due to lack of sufficient records, estimated cost is used. Where necessary, estimates of value are derived by factoring price levels from the current period to the time of acquisition.

The value of assets constructed by agencies for their own use includes all direct construction costs and costs that are related to the construction. In enterprise and trust funds, net interest costs (if material) incurred during the period of construction are capitalized. In fiscal year 2018, $93.1 million in interest costs were incurred, and $16.2 million net interest costs were capitalized.

State agencies are not required to capitalize art collections, library reserve collections, and museum and historical collections that are considered inexhaustible, in that their value does not diminish over time, if all of the following conditions are met:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain.

- The collection is protected, kept unencumbered, cared for, and preserved.

- The collection is subject to policy requirements that the proceeds from sales of collection items be used to acquire other items for the collection.

Depreciation/amortization is calculated using the straight-line method over the estimated useful lives of the assets.

Generally, estimated useful lives are as follows:

Buildings & building components	5-50 years
Furnishings, equipment & collections	3-50 years
Other improvements	3-50 years
Intangibles	3-50 years
Infrastructure	20-50 years

The cost and related accumulated depreciation/amortization of disposed capital assets are removed from the accounting records.

The state capitalizes the state highway system as a network but does not depreciate it since the system is being preserved approximately at or above a condition level established by the state. That condition level is documented and disclosed in the Required Supplementary Information. Additionally, the highway system is managed using an asset management system that includes:

- Maintenance of an up-to-date inventory of system assets.
- Performance of condition assessments of the assets at least every three years with summarization of the results using a measurement scale.
- Annual estimation of the amount to maintain and preserve the assets at the condition level established and disclosed.

All state highway system expenditures that preserve the useful life of the system are expensed in the period incurred. Additions and improvements that increase the capacity or efficiency of the system are capitalized. This approach of reporting condition instead of depreciating the highway system is called the modified approach.

For government-wide financial reporting purposes, capital assets of the state are reported as assets in the applicable governmental or business-type activities column on the Statement of Net Position. Depreciation/amortization expense related to capital assets is reported in the Statement of Activities.

Capital assets and the related depreciation/amortization expense are also reported in the proprietary fund financial statements.

In governmental funds, capital assets are not capitalized in the accounts that acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in the year assets are acquired or construction costs are incurred. No depreciation/amortization is reported.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The category of deferred outflow of resources reported in the government-wide and proprietary fund statements of net position relates to debt refunding, pensions, other postemployment benefits (OPEB), and hedging derivative instruments.

Deferred outflows on debt refunding result when the net carrying value of refunded debt exceeds its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. State contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

Deferred outflows on hedging derivative instruments represent the unrealized loss in fair value of the contract at fiscal year end.

Deferred outflows on OPEB include the difference between expected and actual experience with regard to economic or demographic factors or when actual experience is greater than expected; changes of assumptions about future economic, demographic, or other input factors; and changes in the state's proportionate share of total OPEB liability between funds within the state. These are amortized over the average expected remaining service lives of all employees, active and inactive, that are provided with benefits through the OPEB plan. State contributions to the OPEB plan, made subsequent to the measurement date, are also deferred and reduce total OPEB liability in the subsequent year.

In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by the state relate to unavailable revenue, debt refunding, pensions, OPEB, and hedging derivative instruments.

Unavailable revenue arises only under the modified accrual basis of accounting, and so is reported only on the governmental funds Balance Sheet. Governmental funds report deferred inflows for unavailable revenues primarily from two sources: taxes and long-term receivables. These amounts are recognized as inflows of resources in the periods that the amounts become available.

Deferred inflows on refunding result when the reacquisition price of the refunding debt exceeds the net carrying value of the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

Deferred inflows on hedging derivative instruments represent the unrealized gain in fair value of the contract at fiscal year end.

Deferred inflows on OPEB include the difference between expected and actual experience with regard to economic or demographic factors or when actual experience is less than expected; changes of assumptions about future economic, demographic, or other input factors; and changes in the state's proportionate share of total OPEB liability between funds within the state. These are amortized over the average expected remaining service lives of all employees, active and inactive, that are provided with benefits through the OPEB plan.

7. Compensated Absences

State employees accrue vested vacation leave at a variable rate based on years of service. In general, accrued vacation leave cannot exceed 240 hours at the employee's anniversary date.

Employees accrue sick leave at the rate of one day per month without limitation on the amount that can be accumulated. Sick leave is not vested (i.e., the state does not pay employees for unused sick leave upon termination except upon employee death or retirement). At death or retirement, the state is liable for 25 percent of the employee's accumulated sick leave. In addition, the state has a sick leave buyout option in which, each January, employees who accumulate sick leave in excess of 480 hours may redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave.

It is the state's policy to liquidate its compensated absences obligations with future resources rather than advance funding it with available spendable financial resources.

For government-wide reporting purposes, the state reports compensated absences obligations as liabilities in the applicable governmental or business-type activities columns on the Statement of Net Position.

For fund statement reporting purposes, governmental funds recognize an expenditure for annual and sick leave when it is payable (i.e., upon employee's use, resignation, death or retirement). Proprietary and trust funds recognize the expense and accrue a liability for annual leave and estimated sick leave buyout, including related payroll taxes and benefits, as applicable, as the leave is earned.

8. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term obligations of the state are reported as liabilities on the Statement of Net Position. Bonds payable are reported net of applicable original issuance premiums or discounts. When material, bond premiums and discounts are deferred and amortized over the life of the bonds.

For governmental fund financial reporting, the face (par) amount of debt issued is reported as other financing sources. Premiums and discounts on original debt issuance are also reported as other financing sources and uses, respectively. Issuance costs are reported as debt service expenditures.

9. Fund Equity

In governmental fund type accounts, fund equity is called "fund balance." Fund balance is reported in classifications which reflect the extent to which the state is bound to honor constraints on the purposes for which the amounts can be spent. Classifications include:

- **Nonspendable** fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.

- **Restricted** fund balance represents amounts for which constraints are placed on their use by the state Constitution, enabling legislation, or external resource providers such as creditors, grantors, or laws or regulations of other governments.

- **Committed** fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by state law as adopted by the state Legislature. The commitment remains in place until the Legislature changes or eliminates the state law.

- **Assigned** fund balance represents amounts that are intended for a specific purpose by management, but are neither restricted nor committed. Generally, assignment is expressed by joint legislative and executive staff action.

- **Unassigned** fund balance represents the residual amount for the General Fund that is not contained in the other classifications. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming that the expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second, and finally assigned.

For government-wide reporting as well as in proprietary funds, fund equity is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- **Restricted** net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- **Unrestricted** net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the state's policy to use restricted resources first and then use unrestricted resources as they are needed.

In fiduciary funds, net position is held in trust for individuals and external organizations.

E. OTHER INFORMATION

1. Insurance Activities

Workers' Compensation. Title 51 RCW establishes the state of Washington's workers' compensation program. The statute requires all employers to secure coverage for job-related injuries and diseases, with few exceptions, through the Workers' Compensation Fund or through self-insurance.

Direct private insurance is not authorized, although self-insurers are permitted to reinsure up to 80 percent of their obligations through private insurers.

The Workers' Compensation Fund, an enterprise fund, is used to account for the workers' compensation program which provides time-loss, medical, vocational, disability, and pension benefits to qualifying individuals sustaining work-related injuries or illnesses. The main benefit plans of the workers' compensation program are funded based on rates that will keep these plans solvent in accordance with recognized actuarial principles. The supplemental pension plan supports cost-of-living adjustments (COLA) granted for time-loss and disability payments; however, these are funded on a pay-as-you-go basis. By statute, the state is only allowed to collect enough revenue to fund the current COLA payments.

Premiums are based on individual employers' reported payroll hours and insurance rates based on each employer's risk classification(s) and past experience, except for the Supplemental Pension Fund premiums which are based on a flat rate per hours worked independent of risk class or past experience. In addition to its regular premium plan which is required for all employers, the Workers' Compensation Fund offers a voluntary retrospective premium-rating plan under which premiums are subject to three annual adjustments based on group and individual employers' loss experience. Initial adjustments to the standard premiums are paid to or collected from the groups and individual employers approximately ten months after the end of each plan year.

The Department of Labor and Industries, as administrator of the workers' compensation program, establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have already occurred. The length of time for which such costs must be estimated varies depending on the benefit involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liabilities, claims adjudication, and judgments, the process used in computing claims liabilities does not necessarily result in an exact amount.

Claims payable are recomputed quarterly using a variety of actuarial and statistical techniques. These techniques are used to produce current estimates that reflect recent settlements, claim frequency, expected inflation, and other economic, legal, and social factors. Adjustments to claims payable are charged or credited to claims expense in the periods in which they are made.

The Department of Labor and Industries prepares a stand-alone financial report for its workers' compensation program. Copies of the report that include financial statements and required supplementary information may be obtained by writing to Washington State Department of Labor and Industries, PO Box 44833, Olympia, WA 98504-4833 or by visiting their website at: http://www.lni.wa.gov/ClaimsIns/Insurance/Learn/StateFund/Reports/Default.asp.

Risk Management. The state of Washington operates a self-insurance liability program pursuant to RCW 4.92.130. The state manages its tort claims as an insurance business activity rather than a general governmental activity. The state's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state's management believes it is more economical to manage its risks internally and set aside assets for claims settlement in the Risk Management Fund, an internal service fund. Coverage is provided up to $10 million for each claim with no deductible. Commercial insurance is purchased for various liabilities arising from the operations of the Washington state governmental functions in order to limit the exposure to catastrophic losses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past ten fiscal years. Otherwise, the self-insurance liability program services all claims against the state for injuries and property damage to third parties. The majority of state funds and agencies participate in the self-insurance liability program in proportion to their anticipated exposure to liability losses.

Health Insurance. The state of Washington administers and provides medical, dental, basic life, and basic long-term disability insurance coverage for eligible state employees and their dependents. In addition, school districts, educational service districts, charter schools, the Washington State Health Benefits Exchange, tribal governments, political subdivisions, and employee organizations representing state civil service employees can contract with the state to provide these benefits to their employees. The state establishes eligibility requirements and approves plan benefits of all participating health care organizations. Because the state and its employees are the predominant participants in the employee health insurance program, it is accounted for as an internal service fund, the Health Insurance Fund.

The state's share of the cost of coverage for state employees is based on a per capita amount determined annually by the Legislature and allocated to state agencies.

The Health Care Authority (HCA), as administrator of the health care benefits program, collects this monthly "premium" from agencies for each active employee enrolled in the program. State employees self pay for coverage beyond the state's contribution. For non-state employees, their respective employers, who have contracted with the HCA to provide employee benefits, pay the cost of coverage. Most coverage is available on a self-paid basis to former employees and employees who are temporarily not in pay status.

Most coverage is also available on a self-paid basis to eligible retirees. In accordance with the provisions of GASB Statement No. 74, the Health Insurance Fund is used to account for the retiree health insurance program. For additional information, refer to Note 12.

The state secures commercial insurance for certain coverage offered, but self-insures the risk of loss for the Uniform Medical Plan. The Uniform Medical Plan enrolled approximately 68 percent of the eligible subscribers in fiscal year 2018. Claims are paid from premiums collected, and claims adjudication is contracted through a third-party administrator.

Considerations in calculating liabilities include frequency of claims, administrative costs, industry inflation trends, advances in medical technology, and other social and economic factors. Liabilities include an amount for claims incurred but not reported.

2. Postemployment Benefits

COBRA. In compliance with federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), the state offers health and dental benefits on a temporary basis to qualified beneficiaries whose benefit coverage would otherwise end because of a qualifying event such as loss of employment. COBRA coverage is available on a self-paid basis and is the same medical and dental coverage available to state employees.

Medical Expense Plan. As disclosed in Note 1.D, at the time of separation from state service due to retirement or death, the state offers a 25 percent buyout of an employee's accumulated sick leave. Individual state agencies may offer eligible employees a medical expense plan (MEP) that meets the requirements of the Internal Revenue Code. Agencies offering an MEP deposit the retiring employee's sick leave buyout in the MEP for reimbursement of medical expenses.

Retirement Benefits. Refer to Note 11 Retirement Plans and Note 12 Other Postemployment Benefits.

3. Interfund/Interagency Activities

The state engages in two major categories of interfund/interagency activity: reciprocal and nonreciprocal. Reciprocal interfund/interagency activity is the internal counterpart to exchange and exchange-like transactions and includes both interfund loans and services provided and used. Nonreciprocal activity is nonexchange in nature and includes both transfers and reimbursements.

4. Donor-restricted Endowments

The state of Washington reports endowments in higher education endowment permanent accounts. These accounts are established outside of the state treasury for use by the higher education institutions. There is no state law that governs endowment spending; rather, the policies of individual university and college boards govern the spending of net appreciation on investments.

Under the current spending policies, distributions to programs approximate an annual percentage rate of 4 percent of a five-year rolling average of the endowments' market valuation.

The net appreciation available for authorization for expenditure by governing boards totaled $710.1 million. This amount is reported as restricted for expendable endowment funds on the government-wide Statement of Net Position.

Note 2
Accounting, Reporting, and Entity Changes

Reporting Changes. Effective for fiscal year 2018 reporting, the state adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards of accounting and financial reporting for defined benefit other postemployment benefits (OPEB) and defined contribution OPEB that are provided to the employees of state and local governmental employers.

Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement establishes standards of accounting and financial reporting for irrevocable split-interest agreements in which a government is a beneficiary. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary.

Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that were identified during implementation and application of certain other GASB Statements. It addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB).

Statement No. 86, *Certain Debt Extinguishment Issues*. This statement establishes accounting and financial reporting guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. It also provides guidance relating to prepaid insurance on debt that is extinguished.

Fund Reclassification. The Guaranteed Education Tuition Program was reclassified from a major enterprise fund to a nonmajor enterprise fund.

Prior Period Adjustments. The state recorded a reduction to the beginning net position in the following funds as a result of implementing GASB Statement No. 75:

- Major Enterprise Funds: Workers' Compensation $77.6 million and Higher Education Student Services $333.7 million.

- Nonmajor Enterprise Funds: Lottery $2.8 million, Institutional $9.4 million, Guaranteed Education Tuition Program $926 thousand, and Other Activities $11.2 million.

- Internal Service Funds: General Services $48.1 million, Data Processing Revolving $10.9 million, Higher Education Revolving $23.5 million, Risk Management $366 thousand, and Health Insurance $1.8 million.

- Fiduciary Funds: Pension and Other Employee Benefit Plans $245 thousand.

- Component Units: Health Benefit Exchange, a major component unit, $714 thousand; the Washington State Housing Finance Commission and the Washington State Health Care Facilities Authority, both nonmajor component units, $3.6 million and $204 thousand, respectively.

The state recorded an increase to the beginning fund balance of the Higher Education Endowment Fund, a major governmental fund, of $9.6 million as a result of implementing GASB Statement No. 81.

The state recorded a reduction to the beginning net position in the funds below in order to report their proportionate share of the state's net pension liability for the Higher Education Retirement Plans per GASB Statement No. 73. The state's entire liability was previously reported in long-term obligations associated with governmental funds.

- Major Enterprise Funds: Workers' Compensation $1.3 million and Higher Education Student Services $2.0 million.

- Internal Service Fund: Higher Education Revolving $601 thousand.

The Valley Medical Center, a major component unit, recorded a reduction to the beginning net position of $232 thousand to record transactions reported in the component unit's fiscal year 2017 financial statements after the state of Washington's fiscal year 2017 Comprehensive Annual Financial Report was published.

The state recorded a reduction to the beginning fund balance in the Higher Education Facilities Fund, a nonmajor governmental fund, of $17.0 million to adjust unrecorded capital expenditures.

Governmental Capital Assets and Long-term Obligations. The state recorded an increase in the beginning balance of long-term obligations associated with governmental funds of $2.43 billion as a result of implementing GASB Statement No. 75. The state recorded beginning balance reductions to long-term obligations associated with governmental funds of $55.4 million as a result of implementing GASB Statement No. 81 and $3.9 million from reclassifying the proportionate share of the state's net pension liability for the Higher Education Retirement Plans to the Workers' Compensation and Higher Education Student Services.

Fund equity at July 1, 2017, has been restated as follows (expressed in thousands):

	Fund equity (deficit) at June 30, 2017, as previously reported	Fund Reclassification	Prior Period Adjustment	Fund equity (deficit) at July 1, 2017, as restated
Governmental Funds:				
General	$ 4,201,092	$ —	$ —	$ 4,201,092
Higher Education Special Revenue	2,692,585	—	—	2,692,585
Higher Education Endowment	3,792,982	—	9,635	3,802,617
Nonmajor Governmental	6,208,005	—	(17,000)	6,191,005
Proprietary Funds:				
Enterprise Funds:				
Workers' Compensation	(9,647,105)	—	(78,913)	(9,726,018)
Unemployment Compensation	4,581,264	—	—	4,581,264
Higher Education Student Services	1,073,167	—	(335,682)	737,485
Guaranteed Education Tuition Program	562,693	(562,693)	—	—
Nonmajor Enterprise	28,461	562,693	(24,353)	566,801
Internal Service Funds	(163,696)	—	(85,299)	(248,995)
Fiduciary Funds:				
Private Purpose Trust	4,936	—	—	4,936
Local Government Investment Pool	10,908,266	—	—	10,908,266
Pension and Other Employee Benefit Plans	102,348,453	—	(245)	102,348,208
Component Units:				
Public Stadium Authority	273,411	—	—	273,411
Health Benefit Exchange	(3,151)	—	(714)	(3,865)
Valley Medical Center	219,793	—	(232)	219,561
Nonmajor Component Units	297,462	—	(3,827)	293,635

Note 3
Deposits and Investments

A. DEPOSITS

Custodial Credit Risk. Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the state would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties.

The state minimizes custodial credit risk by restrictions set forth in state law. Statutes require state agencies to deposit funds in financial institutions that are physically located in Washington unless otherwise expressly permitted by statute and authorized by the Washington Public Deposit Protection Commission (PDPC). The PDPC, established under chapter 39.58 of the Revised Code of Washington (RCW), makes and enforces regulations and administers a collateral pool program to ensure public funds are protected if a financial institution becomes insolvent. Securities pledged are held by a trustee agent for the benefit of the collateral pool.

At June 30, 2018, $1.19 billion of the state's deposits with financial institutions were insured or collateralized, with the remaining $354 thousand uninsured/uncollateralized.

B. INVESTMENTS - PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS (PENSION TRUST FUNDS)

1. Summary of Investment Policies

Under RCW 43.33A.030, trusteeship of the pension trust funds is vested within the voting members of the Washington State Investment Board (WSIB). The Legislature has established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, chapter 42.52 RCW, in making investment decisions and seeking to meet investment objectives.

The pension trust funds consist of retirement contributions from employer and employee participants in the Washington State Retirement System and related earnings on those contributions. The Retirement System is administered by the Department of Retirement Systems. The WSIB has exclusive control of the investment of all money invested in the pension trust funds.

In accordance with RCW 43.33A.110, the WSIB manages the pension fund portfolio to achieve maximum return at a prudent level of risk. The WSIB establishes asset allocation targets that must be considered at all times when making investment decisions. The asset mix may deviate from the target. Deviations greater than predetermined acceptable levels require rebalancing back to the target. When an asset class exceeds its range, the goal of rebalancing is to meet the target allocation within consideration of the other remaining asset classes.

Eligible Investments. The WSIB is authorized by statute as having investment management responsibility for pension trust funds. The WSIB is authorized to invest as provided by statute (chapter 43.33A RCW) and WSIB policy in the following: U.S. treasury bills; discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed insurance contracts; U.S. government and agency (government sponsored corporations eligible for collateral purposes at the Federal Reserve) securities; non-U.S. dollar bonds; investment grade corporate bonds; non-investment grade corporate bonds; publicly traded mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including but not limited to investment corporations, partnerships, and limited liability companies for venture capital, leveraged buy-outs, real estate and other tangible assets, or other forms of private equity; asset-backed securities; and derivative securities including futures, options, options on futures, forward contracts, and swap transactions. There were no violations of these investment restrictions during fiscal year 2018.

Commingled Trust Fund. Pension trust funds are invested in the Commingled Trust Fund (CTF). The CTF is a diversified pool of investments used as an investment vehicle for 14 separate retirement plans and one supplemental pension funding account. These plans hold shares in the CTF which represent a percentage ownership in the pool of investments. Plans are allowed to purchase or sell shares in the CTF, based on the fair value of the underlying assets, on the first business day of each month.

In addition to share ownership in the CTF, each retirement plan holds short-term investments that are used to manage the cash needs of each retirement plan.

The CTF consists of the Public Employees' Retirement System (PERS) Plans 1, 2, and 3; Teachers' Retirement System (TRS) Plans 1, 2, and 3; School Employees' Retirement System (SERS) Plans 2 and 3; Law Enforcement Officers' and Fire Fighters' Retirement Plans 1 and 2; Washington State Patrol Retirement System Plans 1 and 2; Public Safety Employees' Retirement System Plan 2; Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund; and the Higher Education Retirement Supplemental Benefit Fund. The CTF includes both the defined benefit and defined contribution portions of PERS Plan 3, TRS Plan 3, and SERS Plan 3, which are hybrid defined benefit/defined contribution plans. The participants of those plans have the option to direct their contributions to the CTF or invest their defined contributions in other external options not managed by the WSIB.

CTF Investment Policies and Restrictions. The CTF is comprised of public markets equities, fixed income securities, private equity investments, real estate, tangible assets, and an innovation portfolio. The CTF's performance objective is to exceed the return of two custom benchmarks, each consisting of public indices weighted according to asset allocation targets.

The asset allocation for the CTF is formally reviewed at least every four years. The allocation policy is reviewed more frequently if there has been a fundamental change in the structure of the capital markets or in the underlying cash flow or liability structure of the pension trust funds.

When market values fall outside policy ranges, assets are rebalanced first by using normal cash flows and then through reallocations of assets across asset classes. In cases of a major rebalancing, the pension trust funds can utilize futures, forward contracts, and options in order to maintain exposure within each asset class and reduce transaction costs. Major rebalancing can occur to bring asset classes within their target ranges or when the pension trust funds are transitioning managers.

Public Markets Equities. To achieve the performance and diversification objectives of the pension trust funds, the public markets equity program seeks to achieve the highest return possible consistent with prudent risk management and the desire for downside protection, with passive equity strategies as the default whenever strategies with better risk/return profiles cannot be identified; provide diversification to the pension trust funds' overall investment program; maintain liquidity in public equity; and maintain transparency into all public equity strategies to the extent possible.

The public markets equity portion of the pension trust funds invests in publicly traded equities globally, including equity securities in the U.S., developed non-U.S., and emerging markets. The program has a global benchmark, currently the Morgan Stanley Capital International (MSCI) All Country World Investable Market Index. A mix of external managers approved by the WSIB is used to manage the program. Passive management delivers broad diversified equity market exposure at low cost and is used when active managers cannot be identified and monitored appropriately. Passive management is also used when it is considered an appropriate alternative to active management, typically in more efficient markets. Active management is used when the pension trust funds can identify, access, and monitor successful managers in markets that are less efficient. Active management seeks to enhance the risk/return profile of the program.

Fixed Income. The fixed income segment is managed to achieve the highest return possible consistent with the desire to control asset volatility, emphasize high yield to maturity opportunities to add value through active management, provide diversification to the overall investment program, provide liquidity to the pension trust fund investment program, and to meet or exceed the return of the Bloomberg Barclays U.S. Universal Index, with volatility similar to or less than the index.

RCW 43.33A.140 prohibits a corporate fixed income issues cost from exceeding 3 percent of the CTF's market value at the time of purchase and 6 percent of its market value thereafter. However, the WSIB manages with a more restrictive concentration constraint, limiting exposure to any corporate issuer to 3 percent of the CTF fixed income portfolio's market value at all times.

The fixed income portfolio is constrained by policy from investing more than 1 percent of the portfolio's par value in any single issuer with a quality rating below investment grade (as defined by Bloomberg Barclays Capital Global Family of Fixed Income Indices). Total market value of below investment grade credit bonds (as defined by Bloomberg Barclays Capital Global Family of Fixed Income Indices) shall not exceed 15 percent of the market value of the fixed income portfolio. Although below investment grade mortgage-backed, asset-backed, or commercial mortgage-backed securities may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. The total market value of below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities shall not exceed 5 percent of the market value of the fixed income portfolio. The duration of the portfolio is targeted to be within plus or minus 20 percent of the duration of the Bloomberg Barclays U.S. Universal Index.

The major sector allocations of the fixed income portfolio are limited to the following ranges:

U.S. treasuries and government agencies	10% - 45%
Credit bonds	10% - 80%
Asset-backed securities	0% - 10%
Commercial mortgage-backed securities	0% - 10%
Mortgage-backed securities	5% - 45%

Private Equity. Pension trust funds can be invested in any appropriate private equity investment opportunity that has the potential for returns superior to traditional investment opportunities and which is not prohibited by the WSIB's policies or by law. These investment types are generally divided into venture capital, corporate finance, growth equity, special situations, distressed, mezzanine, and other investments. Private equity investments are made through limited partnership or direct investment vehicles.

The private equity investment portfolio is managed to exceed the returns of the MSCI All Country World Index Investable Market Index, lagged by one calendar quarter, by 300 basis points in the long run. To meet the return and plan objectives, the private equity portfolio has diversified investments in companies in a variety of growth stages. The portfolio also includes a broad cross-section of opportunities in different industries and geographic regions.

Real Estate. The WSIB's real estate program is an externally managed pool of selected partnership investments intended to provide alternative portfolio characteristics when compared to traditional stock and bond investments. The majority of the WSIB's partnerships invest in institutional-quality real estate assets that are leased to third parties. The income generated from bond-like lease payments coupled with the hard asset qualities of commercial real estate combine to generate returns that are expected to fall between the return expectations for fixed income and equities over the long term. The real estate portfolio is managed to deliver risk-adjusted returns that are consistent with the WSIB's long-term return expectations for the asset class.

The pension trust funds' real estate partnerships typically invest in private real estate assets that are held for long-term income and appreciation. Many of the pension trust funds' investment partnerships do not involve co-investment with other financial entities, thereby providing the WSIB with control provisions, related transactions, and ongoing operational decisions for annual capital expenditures.

The pension trust funds may invest in any real estate opportunity demonstrating acceptable risk-adjusted returns, provided it is not prohibited by state law or WSIB policy. Investment structures may include real estate operating companies, joint ventures, commingled funds (closed or open-ended), and co-investments with existing WSIB real estate partners. Diversification within the real estate program is achieved through consideration of property type, capital structure, life cycle, geographic region, partner concentration, and property level.

The WSIB's real estate portfolio current benchmark seeks to earn an 8 percent annual investment return over a rolling 10-year period.

Tangible Assets. The primary goal of the tangible asset portfolio is to generate a long-term, predictable and persistent income stream. The secondary goal is to generate appreciation approximately commensurate with inflation. The structure of the investments is primarily targeted to those private funds or separate accounts providing the WSIB with the most robust governance provisions related to acquisitions, dispositions, debt levels, and ongoing operational decisions for annual capital expenditures. For diversification purposes, the tangible asset portfolio focuses on income-producing physical assets in the upstream and midstream segments of four main industries: minerals and mining, energy, agriculture, and society essentials.

The WSIB's current return objective for tangible assets calls for a target benchmark of 4 percent above the U.S. Consumer Price Index over a long-term investment horizon defined as at least five years.

Innovation Portfolio. The innovation portfolio investment strategy is to provide the WSIB with the ability to invest in assets that fall outside of traditional asset classes and to provide the WSIB with comfort and demonstrated success before committing large dollar amounts to the strategy. The overall benchmark for the innovation portfolio is the weighted average of the underlying benchmark for each asset in the portfolio.

Currently, there are four investment strategies in the innovation portfolio involving private partnerships.

2. Valuation of Investments

The pension trust fund reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Unrealized gains and losses are included in the Statement of Changes in Net Position.

The following table presents fair value measurements as of June 30, 2018:

Pension Trust Funds
Investments Measured at Fair Value
June 30, 2018
(expressed in thousands)

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Debt securities				
Mortgage and other asset-backed securities	$ 1,688,863	$ —	$ 1,688,863	$ —
Corporate bonds	10,970,889	—	10,970,889	—
U.S. and foreign government and agency securities	8,908,586	—	8,908,586	—
Total debt securities	21,568,338	—	21,568,338	—
Equity securities				
Common and preferred stock	20,482,664	20,436,675	43,314	2,675
Depository receipts and other miscellaneous	650,415	629,423	20,992	—
Mutual funds and exchange traded funds	2,488	2,488	—	—
Real estate investment trusts	394,520	394,519	1	—
Private equity and tangible asset funds	165,764	165,764	—	—
Total equity securities	21,695,851	21,628,869	64,307	2,675
Total investments by fair value level	43,264,189	$ 21,628,869	$ 21,632,645	$ 2,675
Investments measured at net asset value (NAV)				
Private equity	21,766,983			
Real estate	17,212,473			
Tangible assets	4,241,685			
Collective investment trust funds (equity securities)	12,479,044			
Total investments measured at the NAV	55,700,185			
Total investments measured at fair value	$ 98,964,374			
Other assets (liabilities) measured at fair value				
Collateral held under securities lending agreements	$ 662,844	$ —	$ 662,844	$ —
Net foreign exchange contracts receivable-forward and spot	5,095	—	5,095	—
Net swap contracts receivable	(205)	—	(205)	—
Margin variation payable-futures contracts	3,246	3,246	—	—
Obligations under securities lending agreements	(662,844)	—	(662,844)	—
Total other assets (liabilities) measured at fair value	$ 8,136	$ 3,246	$ 4,890	$ —

Investments classified as level 1. Investments classified as level 1 in the previous table are exchange traded equity securities whose values are based on published market prices and quotations from national security exchanges as of the appropriate market close, as of each reporting period end.

Investments classified as level 2. Investments classified as level 2 in the above table are primarily comprised of publicly traded debt securities and exchange traded stocks traded in inactive markets. Publicly traded debt securities are sourced from reputable pricing vendors using models that are market-based measurements representing their good faith opinion as to the exit value of a debt security, in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market corroborated inputs.

Investments classified as level 3. Investments classified as level 3 in the above table were publicly traded equity securities that have noncurrent or "stale" values and are included in the table at the last traded price. The stale pricing occurred due to trading suspensions, delisting from an active exchange, or lack of investor demand. The current market values of these securities are unknown.

Investments measured at net asset value (NAV). The fair value of investments that are organized as limited partnerships and have no readily ascertainable fair value is determined by using the net asset value per share (or its equivalent) of the pension trust funds' ownership interest in partners' capital. These values are based on the individual investee's capital account balance reported at fair value by the general partner at the closest available reporting period, adjusted for subsequent contributions, distributions, management fees, changes in values of foreign currency, and published market prices for certain securities.

The limited partnerships' annual financial statements are audited by independent auditors. These investments are valued at approximately $43.39 billion as of June 30, 2018. Because of the inherent uncertainties in estimating fair values, it is possible that the estimates will change in the near-term or the subsequent sale of assets will be different than the June 30, 2018, reported net asset value.

With the exception of two publicly traded funds, these investments can never be redeemed. Instead, the nature of these investments provides for distributions through the sale or liquidation of the underlying assets or net operating cash flows. It is anticipated that the various investments within each asset class will be liquidated over the following periods:

Pension Trust Funds
Alternative Assets Expected Liquidation Periods
June 30, 2018
(expressed in thousands)

	Investment Type				
Liquidation Periods	**Private Equity**	**Real Estate**	**Tangible Assets**	**Total**	**Percentage of Total**
Publicly traded-Level 1	$ 18,151	$ —	$ 147,613	$ 165,764	0.4%
Less than 3 years	175,816	43,960	—	219,776	0.5%
3 to 9 years	4,760,065	1,179,590	354,935	6,294,590	14.5%
10 or more years	16,831,102	15,988,923	3,886,750	36,706,775	84.6%
Total	$ 21,785,134	$ 17,212,473	$ 4,389,298	$ 43,386,905	100.0%

Private Equity. This includes 267 private equity limited liability partnerships that invest primarily in the United States, Europe, and Asia in leveraged buyouts, venture capital, distressed debt, and growth equity. The fair value of individual capital account balances is based on the valuation reported by private equity partnerships using the following methodologies to value the underlying portfolio companies:

- Valuations of publicly traded portfolio companies are based on active exchanges using quoted market prices as of the close of trading for each month end.

- When a portfolio company investment does not have a readily available market price but has a return that is determined by reference to an asset for which a market price is readily available, valuations are based on the closing market price of the reference asset on the valuation date, adjusted for unique factors that affect the fair value of the investment held.

- When the portfolio company investments are private holdings and are not traded on active security exchanges, valuation methodologies consist primarily of income and market approaches. The income approach involves a discounted cash flow analysis based on portfolio companies' projections. The market approach involves valuing a company at a multiple of a specified financial measure, generally earnings before interest, taxes, depreciation, and amortization, based on multiples of comparable publicly traded companies.

Real Estate. This includes 27 real estate investments. Targeted investment structures within the real estate portfolio include real estate operating companies, limited liability companies, joint ventures, commingled funds, and co-investments. Real estate partnerships provide quarterly valuations to the pension trust fund management based on the most recent capital account balance. Individual properties are valued by the investment management at least annually and are adjusted as frequently as quarterly if material market or operational changes have occurred. Properties are externally appraised generally every one to five years, depending upon the investment. Structured finance investments receive quarterly adjustments by the partners, generally applying the assumption that all such positions will be held to maturity. Annual audits of most partnerships include a review of compliance with the partnership's valuation policies.

Tangible Assets. This includes 42 limited liability structures and funds. The primary goal of the tangible asset portfolio is to generate a long-term sustainable and stable income stream, as well as generate appreciation at least commensurate with inflation. Valuation practices of general partners and asset managers are consistent with private equity limited partnerships.

Collective Investment Trust Funds. The pension trust fund invests in three separate collective investment trust funds (fund). Each fund determines a fair value by obtaining fair values of the underlying holdings using reputable pricing sources and computing an overall net asset value per share. The holdings within each fund are publicly traded equity securities.

Two funds are passively managed to approximate the capitalization weighted total rates of return of the MSCI U.S. Investable Market Index and the MSCI Emerging Markets Investable Market Index. Each fund has daily openings and contributions, and withdrawals can be made on any business day. The fund managers, at their discretion, may require withdrawal proceeds to be made partially or wholly in kind. Under certain circumstances, the fund managers may choose to suspend valuation and/or the right to make contributions and withdrawals from the fund. Such circumstances include actual or anticipated closure, restriction, or suspension of trading activity in any markets or exchanges where the fund investments are traded; where the purchase, sale, or pricing of the fund's investments would not be reasonably practicable or advisable; or where suspending contributions or withdrawals would be in the best interest of the fund or participants.

The third fund seeks to achieve long-term capital appreciation through active investment management in emerging market countries. The index against which the fund compares its performance is the MSCI Emerging Market Index. The pension trust funds may redeem some or all of their holdings on each monthly valuation date. The fund manager may delay redemption proceeds if it determines that it is reasonably necessary to prevent a material adverse impact on the fund or other investors. The fund manager, at their discretion, may require withdrawal proceeds to be made partially or wholly in kind.

Other assets and liabilities measured at fair value. Forward exchange contracts are valued by interpolating a value using the spot foreign exchange rate and forward points (based on the spot rate and currency interest rate differentials), which are all inputs that are observable in active markets (level 2).

Cash collateral held and the offsetting obligations under securities lending agreements are valued by the pension trust funds' lending agent and sourced from reputable pricing vendors using models that are market-based measurements representing their good faith opinion as to the exit value of a security in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market corroborated inputs.

Gains and losses on futures contracts are settled daily, based on a notional (underlying) principal value, and do not involve an actual transfer of the specific instrument. The margin variation represents the current gain or loss remaining to be settled from the prior day. The custodial bank provides quoted prices for these securities from a reputable pricing vendor.

3. Unfunded Commitments

The WSIB has entered into a number of agreements that commit the pension trust funds, upon request, to make additional investment purchases up to predetermined amounts. As of June 30, 2018, the pension trust funds had total unfunded commitments of $27.66 billion in the following asset classes: $15.92 billion in private equity, $8.28 billion in real estate, and $3.46 billion in tangible assets.

4. Securities Lending

State law and WSIB policy permit the pension trust funds to participate in securities lending programs to augment investment income. The WSIB has entered into an agreement with State Street Corporation to act as agent for the pension trust funds in securities lending transactions. As State Street Corporation is the custodian bank for the pension trust funds, it is counterparty to securities lending transactions.

The fair value of the securities on loan at June 30, 2018, was approximately $2.36 billion. The pension trust funds report securities on loan in their respective categories in the Statement of Net Position. At June 30, 2018, cash collateral received totaling $662.8 million is reported as securities lending obligation, and the fair value of the reinvested cash collateral totaling $662.8 million is reported as security lending collateral in the Statement of Net Position. Securities received as collateral for which the pension trust funds do not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Total securities received as collateral at June 30, 2018, was $1.74 billion.

During the fiscal year, debt and equity securities were loaned and collateralized by the pension trust funds' agent with cash and U.S. government or U.S. agency securities including U.S. agency mortgage-backed securities (exclusive of letters of credit). When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities.

The following table summarizes the securities held by the pension trust funds from reinvestment of cash collateral and securities received as collateral at June 30, 2018 (in millions):

Mortgage-backed securities	$	1,425.6
U.S. treasuries		315.5
Yankee CD		223.3
Commercial paper		195.7
Repurchase agreements		155.6
Cash equivalents and other		88.2
Total collateral held	$	2,403.9

During fiscal year 2018, securities lending transactions could be terminated on demand by either the pension trust funds or the borrower. As of June 30, 2018, the cash collateral held had an average duration of 16.2 days and an average weighted final maturity of 79.0 days.

Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on loan value could be held by a specific borrower. Collateral investment guidelines specifically prohibit European domiciled holdings. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. State Street Corporation indemnified the pension trust funds by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. State Street Corporation's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During fiscal year 2018, there were no significant violations of legal or contractual provisions and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the pension trust funds incurred no losses during fiscal year 2018 resulting from a default by either the borrowers or the securities lending agents.

5. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. The risk is managed within the portfolios using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments.

While the pension trust funds do not have a formal policy relating to interest rate risk, the pension trust funds' fixed income investments are actively managed to meet or exceed the return of the Bloomberg Barclays U.S. Universal Index, with volatility similar to or less than the index. The fixed income portfolio's duration is targeted within plus or minus 20 percent of the duration of the portfolio's performance benchmark. As of June 30, 2018, the duration of the pension trust funds' fixed income investments was within the duration target of this index.

The two following schedules provide information about the interest rate risks associated with the pension trust funds' investments as of June 30, 2018. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

Pension Trust Funds
Schedule of Maturities and Effective Duration
June 30, 2018
(expressed in thousands)

Investment Type	Total Fair Value	Maturity: Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Effective Duration (in years)*
Mortgage and other asset-backed securities	$ 1,243,243	$ 9,896	$ 917,741	$ 315,606	$ —	4.57
Corporate bonds	10,970,889	430,738	4,818,522	4,014,195	1,707,434	5.86
U.S. government and agency securities	7,010,090	2,018,133	2,579,815	1,541,110	871,032	4.90
Foreign government and agency securities	1,898,496	76,773	999,318	534,314	288,091	5.37
Total internally managed fixed income	21,122,718	2,535,540	9,315,396	6,405,225	2,866,557	5.42
Mortgage-backed TBA forwards	445,620	445,620	—	—	—	0.00
Total investments categorized	21,568,338	$ 2,981,160	$ 9,315,396	$ 6,405,225	$ 2,866,557	5.31
Investments not required to be categorized:						
Cash and cash equivalents	2,685,619					
Equity securities	34,009,131					
Alternative investments	43,386,905					
Total investments not categorized	80,081,655					
Total Investments	$101,649,993					

* Excludes cash and cash equivalents

Credit ratings of investments are presented using the Moody's rating scale as follows:

Pension Trust Funds
Investment Credit Ratings
June 30, 2018
(expressed in thousands)

Moody's Equivalent Credit Rating	Investment Type: Mortgage and Other Asset-Backed Securities	Corporate Bonds	Foreign Government and Agency Securities	Total Fair Value
Aaa	$ 1,688,289	$ 519,410	$ 62,169	$ 2,269,868
Aa1	—	95,546	246,154	341,700
Aa2	—	134,457	90,166	224,623
Aa3	—	705,778	110,643	816,421
A1	—	927,510	280,502	1,208,012
A2	23	760,666	11,428	772,117
A3	—	1,482,213	17,090	1,499,303
Baa1	—	1,479,603	65,780	1,545,383
Baa2	551	1,570,295	378,222	1,949,068
Baa3	—	1,954,688	17,291	1,971,979
Ba1 or lower	—	1,340,723	619,051	1,959,774
Total	$ 1,688,863	$ 10,970,889	$ 1,898,496	$ 14,558,248

6. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The pension trust funds' investment policies limit the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB. The rated debt investments of the pension trust funds as of June 30, 2018, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The policy of the pension trust funds states no corporate fixed income issue cost shall exceed 3 percent of cost at the time of purchase or 6 percent of fair value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of fair value of the fund. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2018.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the pension trust funds would not be able to recover the value of their deposits, investments, or collateral securities. The pension trust funds do not have a policy relating to custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities (excluding cash, cash equivalents, and repurchase agreements held as securities lending collateral) registered and held in the name of the WSIB for the benefit of the pension trust funds.

7. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The pension trust funds do not have a formal policy to limit foreign currency risk. The WSIB manages their exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios by sector and by issuer, to limit foreign currency and security risk.

The following schedule presents the exposure of the pension trust funds' investments to foreign currency risk. The schedule provides information on deposits and investments held in various foreign currencies. Private equity, real estate, and tangible assets are presented according to the financial reporting currency of the individual funds. This is not a presentation of currency exposure relating to the underlying holdings. The schedule is stated in U.S. dollars. In addition, the CTF has foreign currency exposure at June 30, 2018, of $1.2 billion invested in two emerging markets commingled equity investment funds.

Pension Trust Funds
Foreign Currency Exposure by Country
June 30, 2018
(expressed in thousands)

Foreign Currency Denomination	Cash and Cash Equivalents	Debt Securities	Equity Securities	Alternative Assets	Open Foreign Exchange Contracts-Net	Total
	Investment Type in U.S. Dollar Equivalent					
Australia-Dollar	$ 7,193	$ 138,846	$ 574,653	$ 79,024	$ 1,543	$ 801,259
Brazil-Real	301	111,279	209,855	—	901	322,336
Canada-Dollar	5,852	—	650,251	—	(297)	655,806
Chile-Peso	306	64,480	11,716	—	(16)	76,486
China-Yuan Renminbi	339	27,815	44,058	—	—	72,212
Columbia-Peso	17	79,600	5,181	—	(1)	84,797
Denmark-Krone	1,797	—	208,508	—	(910)	209,395
E.M.U.-Euro	6,687	—	3,206,483	3,238,622	(712)	6,451,080
Hong Kong-Dollar	5,163	—	794,597	—	(18)	799,742
India-Rupee	918	62,441	172,026	—	(459)	234,926
Indonesia-Rupiah	560	25,957	35,769	—	189	62,475
Japan-Yen	19,712	—	2,534,280	—	2,293	2,556,285
Mexico-Peso	185	75,913	75,227	—	666	151,991
New Taiwan-Dollar	1,637	—	215,094	—	(479)	216,252
Norway-Krone	1,133	—	81,012	—	143	82,288
Singapore-Dollar	1,200	—	173,838	—	(16)	175,022
South Korea-Won	4,709	—	377,693	—	2,617	385,019
Sweden-Krona	2,289	—	291,167	—	692	294,148
Switzerland-Franc	211	—	771,009	—	18	771,238
Thailand-Baht	2,336	—	66,760	—	12	69,108
Turkey-Lira	373	—	76,332	—	578	77,283
United Kingdom-Pound	8,713	—	2,048,422	—	(95)	2,057,040
Other	1,737	69,879	224,389	—	(1,554)	294,451
Total	$ 73,368	$ 656,210	$ 12,848,320	$ 3,317,646	$ 5,095	$ 16,900,639

8. Derivatives

Pension trust funds are authorized to utilize various derivative financial instruments including financial futures, forward contracts, interest rate swaps, credit default swaps, equity swaps, and options. Derivative transactions involve, to varying degrees, market and credit risk. At June 30, 2018, the pension trust funds held investments in financial futures, forward currency contracts, and total return swap contracts that are recorded at fair value with changes in value recognized in investment income in the Statement of Revenues, Expenses, and Changes in Net Position in the period of change. The derivative instruments are considered investment derivatives and not hedging derivatives.

Derivatives are generally used to achieve the desired market exposure of a security, index, or currency; adjust portfolio duration; or rebalance the total portfolio to the target asset allocation. Derivative contracts are instruments that derive their value from underlying assets, indices, reference interest rates, or a combination of these factors.

A derivative instrument could be a contract negotiated on behalf of the pension trust funds and a specific counterparty. This would typically be referred to as an over the counter (OTC) contract, such as forward and total return swap contracts. Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded."

Inherent in the use of OTC derivatives, the pension trust funds are exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract. As of June 30, 2018, the pension trust funds counterparty risk was approximately $19.0 million. The majority of the counterparties (58 percent) held a credit rating of A1 on Moody's rating scale.

All counterparties held investment grade credit ratings of Baa2 and above.

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price. As such, gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. The exchange assumes the risk that the counterparty will not pay and requires margin payments to minimize such risk. Futures are generally used to achieve the desired market exposure of a security or index or to rebalance the total portfolio. Derivatives, which are exchange traded, are not subject to credit risk.

Forward currency contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date in the future. These forward commitments are not standardized and carry counterparty credit risk due to the possible nonperformance by a counterparty. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote.

At June 30, 2018, the pension trust funds had outstanding forward currency contracts with a net unrealized gain of $5.0 million. The aggregate forward currency exchange contracts receivable and payable were $1.93 billion and $1.93 billion, respectively. The contracts have varying maturity dates ranging from July 2, 2018, to October 11, 2018.

Total return swap contracts are agreements where one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying or reference asset. Total return swaps allow the party receiving the total return to gain exposure and benefit from a reference asset without physically owning the security. The pension trust funds swap total bond market index returns for total equity index returns as the reference asset in emerging markets. The open swap contracts have varying maturity dates ranging from July 2, 2018, to July 3, 2018. The values of these contracts are highly sensitive to interest rate changes.

At June 30, 2018, the pension trust funds' fixed income portfolio held derivative securities consisting of collateralized mortgage obligations with a fair value of $101.4 million. Domestic and foreign commingled investment trust fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by these funds is unavailable.

The following schedule presents the significant terms for derivatives held as investments by the pension trust funds:

Pension Trust Funds
Derivative Investments
June 30, 2018
(expressed in thousands)

	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures Contracts:			
Bond index futures	$ (27,253)	$ 5,248	$ 1,092,600
Equity index futures	78,278	(2,002)	54,950
Total	$ 51,025	$ 3,246	$ 1,147,550
Forward Currency Contracts	$ (5,207)	$ 5,033	$ 1,940,859
Total Return Swap Contracts:			
Total Return Swap Contracts:	$ (7,201)	$ (97)	$ 25,042
Total return swaps bond	8,177	(2,937)	(84,600)
Total	$ 976	$ (3,034)	$ (59,558)

C. INVESTMENTS - WORKERS' COMPENSATION FUND

1. Summary of Investment Policies

Under RCW 43.33A.030, trusteeship of the Workers' Compensation Fund investments is vested in the voting members of the Washington State Investment Board (WSIB). The Legislature established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, chapter 42.52 RCW, in making investment decisions and seeking to meet investment objectives.

The Workers' Compensation Fund consists of contributions from employers and their employees participating in the state workers' compensation program and related earnings on those contributions. The workers' compensation program provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.

In accordance with state laws, the Workers' Compensation Fund investments are managed to limit fluctuations in the industrial insurance premiums and, subject to this purpose, achieve a maximum return at a prudent level of risk. Based on this requirement, the order of the objectives is:

- Maintain the solvency of the funds.
- Maintain premium rate stability.
- Ensure sufficient assets are available to fund the expected liability payments.
- Subject to the objectives above, achieve a maximum return at a prudent level of risk.

Eligible Investments. Eligible investments are securities and deposits that are in accordance with the WSIB's investment policy and chapter 43.33A RCW. Eligible investments include:

- U.S. equities.
- International equities.
- U.S. treasuries and government agencies.
- Credit bonds.
- Mortgage-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.
- Asset-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.
- Commercial mortgage-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.
- Investment grade non-U.S. dollar bonds.
- Real estate.

Investment Policies and Restrictions. To meet stated objectives, investments of the Workers' Compensation Fund are subject to the following constraints:

- All assets under the management of the WSIB are to be invested to maximize return at a prudent level of risk in accordance with RCW 43.33A.110 and RCW 43.33A.140.
- No corporate fixed income issue cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time.
- Asset allocations are to be reviewed every four years or sooner if there are significant changes in funding levels or the liability durations.
- Assets are to be rebalanced across asset classes when the fair value of the assets falls outside the policy ranges. The timing of any rebalancing will be based on market opportunities, cash flows, and the consideration of transaction costs; therefore, they need not occur immediately.

The WSIB has elected a gradual implementation plan to reach the strategic asset allocation. During this implementation period, if real estate is above or below its target due to timing or illiquidity, fixed income will be used to offset the balance.

Equity. The benchmark and structure for global equities will be the Morgan Stanley Capital International (MSCI) All Country World Investable Market Index net with USA gross. The global equity portfolio will be passively managed in commingled index funds. The commingled fund managers may use futures for hedging or establishing a long position.

Fixed Income. It is the goal of the fixed income portfolios to match the target durations. The fixed income portfolios' required duration targets are to be reviewed every three years or sooner if there are significant changes in the funding levels or the liability durations.

Sector allocation of fixed income investments must be managed within the ranges presented below. Deviations may occur in the short term as a result of interim market conditions. However, if a range is exceeded, the portfolios must be rebalanced to the target allocations as soon as it is practical.

Target allocations for the Fixed Income Sectors:	
U.S. treasuries and government agencies	5% - 25%
Credit bonds	20% - 80%
Asset-backed securities	0% - 10%
Commercial mortgage-backed securities	0% - 10%
Mortgage-backed securities	0% - 25%

Total market value of below investment grade credit bonds (as defined by Bloomberg Barclays Family of Fixed Income Indices) shall not exceed 5 percent of the total market value of the funds. Although below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. Total market value of below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities shall not exceed 5 percent of total market value of the funds.

Real Estate. The objectives and characteristics of the real estate portfolio are as follows:

- To generate a 6 percent annual investment return over a rolling 10-year period.
- The return will be generated by current income, and the portfolio will be intentionally constructed to focus on yield rather than total return.
- The portfolio will be diversified across geography and property type.
- The benchmark for the portfolio is a total net return of 6 percent measured over a rolling 10-year period.
- No more than 15 percent of the real estate portfolio will be invested in a single property after the program's build-out period.

2. Valuation of Investments

The Workers' Compensation Fund reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Unrealized gains and losses are included in the Statement of Revenues, Expenses, and Changes in Net Position. The following table presents fair value measurements as of June 30, 2018:

Workers' Compensation Fund
Investments Measured at Fair Value
June 30, 2018
(expressed in thousands)

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Debt securities				
Mortgage and other asset-backed securities	$ 1,225,313	$ —	$ 1,225,313	$ —
Corporate bonds	9,813,569	—	9,813,569	—
U.S. and foreign government and agency securities	3,299,641	—	3,299,641	—
Total investments by fair value level	14,338,523	$ —	$ 14,338,523	$ —
Investments measured at net asset value (NAV)				
Commingled equity investment trusts	2,308,282			
Total investments measured at the NAV	2,308,282			
Total investments measured at fair value	$ 16,646,805			
Other assets (liabilities) measured at fair value				
Collateral held under securities lending agreements	$ 99,810	$ —	$ 99,810	$ —
Obligations under securities lending agreements	(99,810)	—	(99,810)	—
Total other assets (liabilities) measured at fair value	$ —	$ —	$ —	$ —

Investments classified as level 2. Investments classified as level 2 in the above table are comprised of publicly traded debt securities. Publicly traded debt securities are sourced from reputable pricing vendors using models that are market-based measurements representing their good faith opinion as to the exit value of a security, in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market corroborated inputs.

Investments measured at net asset value (NAV). The Workers' Compensation Fund invests in a single collective investment trust fund (fund). The fund is passively managed to track the investment of a broad, global equity index, the MSCI All Country World Investable Market Index. The fund determines a fair value by obtaining the values of underlying holdings using reputable pricing sources and computing an overall net asset value per share. The holdings are publicly traded equity securities.

The fund has daily openings, and contributions and withdrawals can be made on any business day. The fund manager, at their discretion, may require withdrawal proceeds to be made partially or wholly in kind. Under certain circumstances, the fund manager may choose to suspend valuation and/or the right to make contributions and withdrawals from the fund. Such circumstances include actual or anticipated closure, restriction, or suspension of trading activity in any markets or exchanges where the fund investments are traded; where the purchase, sale, or pricing of the fund's investments would not be reasonably practicable or advisable; or where suspending contributions or withdrawals would be in the best interest of the fund or participants.

3. Securities Lending

State law and WSIB policy permit the Workers' Compensation Fund to participate in securities lending programs to augment investment income. The WSIB has entered into an agreement with State Street Corporation to act as agent for the Workers' Compensation Fund in securities lending transactions. As State Street Corporation is the custodian bank for the Workers' Compensation Fund, it is counterparty to securities lending transactions.

The fair value of the securities on loan at June 30, 2018, was approximately $348.0 million. The Workers' Compensation Fund reports securities on loan in the Statement of Net Position in their respective categories. At June 30, 2018, cash collateral received totaling $99.8 million is reported as a securities lending obligation, and the fair value of the reinvested cash collateral totaling $99.8 million is reported as security lending collateral in the Statement of Net Position. Securities received as collateral for which the Workers' Compensation Fund does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Total securities received as collateral at June 30, 2018, was $254.2 million.

During fiscal year 2018, debt securities were loaned and collateralized by the Workers' Compensation Fund's agent with cash and U.S. government or U.S. agency securities including U.S. agency mortgage-backed securities (exclusive of letters of credit). When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities.

The following table summarizes the securities held from reinvestment of cash collateral and securities received as collateral at June 30, 2018 (in millions):

Mortgage-backed securities	$	254.2
Yankee CD		33.6
Commercial paper		29.5
Repurchase agreements		23.4
Cash equivalents and other		13.3
Total collateral held	$	354.0

During fiscal year 2018, securities lending transactions could be terminated on demand by either the Workers' Compensation Fund or the borrower. As of June 30, 2018, the cash collateral held had an average duration of 16.2 days and an average weighted final maturity of 79.0 days. Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on loan value can be held by a specific borrower. Collateral investment guidelines specifically prohibit European domiciled holdings. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. State Street Corporation indemnified the Workers' Compensation Fund by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. State Street Corporation's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During fiscal year 2018, there were no significant violations of legal or contractual provisions, and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the Workers' Compensation Fund incurred no losses during fiscal year 2018 resulting from a default by either the borrowers or the securities lending agents.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. While the Workers' Compensation Fund does not have a formal policy relating to interest rate risk, the risk is managed within the Workers' Compensation Fund portfolio using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments. As of June 30, 2018, the Workers' Compensation Fund portfolio durations were within the prescribed duration targets.

The following two schedules provide information about the interest rate risks associated with the Workers' Compensation Fund investments as of June 30, 2018. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

Workers' Compensation Fund
Schedule of Maturities and Effective Duration
June 30, 2018
(expressed in thousands)

		Maturity				
Investment Type	**Total Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**More than 10 Years**	**Effective Duration (in years)***
Mortgage and other asset-backed securities	$ 1,225,313	$ 5,248	$ 773,103	$ 396,307	$ 50,655	4.9
Corporate bonds	9,813,569	739,884	4,386,772	2,076,622	2,610,291	6.2
U.S. government and agency securities	2,246,134	401,879	730,579	745,501	368,175	6.3
Foreign government and agencies	1,053,507	110,243	689,952	223,676	29,636	3.7
Total investments categorized	14,338,523	$ 1,257,254	$ 6,580,406	$ 3,442,106	$ 3,058,757	5.9
Investments not required to be categorized:						
Commingled investment trusts	2,308,282					
Cash and cash equivalents	122,653					
Total investments not categorized	2,430,935					
Total Investments	$ 16,769,458					

** Excludes cash and cash equivalents*

Investments with multiple credit ratings are presented using the Moody's rating scale as follows:

Workers' Compensation Fund
Investment Credit Ratings
June 30, 2018
(expressed in thousands)

	Investment Type			
Moody's Equivalent Credit Rating	**Mortgage and Other Asset-Backed Securities**	**Corporate Bonds**	**Foreign Government and Agencies**	**Total Fair Value**
Aaa	$ 1,225,313	$ 544,097	$ 325,511	$ 2,094,921
Aa1	—	160,421	84,051	244,472
Aa2	—	141,222	212,075	353,297
Aa3	—	1,052,769	244,498	1,297,267
A1	—	1,680,608	109,337	1,789,945
A2	—	1,304,262	—	1,304,262
A3	—	1,738,896	—	1,738,896
Baa1	—	1,161,472	22,906	1,184,378
Baa2	—	1,303,554	55,129	1,358,683
Baa3	—	464,451	—	464,451
Ba1 or lower	—	261,817	—	261,817
Total	$ 1,225,313	$ 9,813,569	$ 1,053,507	$ 12,092,389

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Workers' Compensation Fund investment policies limit the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB.

The rated debt investments of the Workers' Compensation Fund as of June 30, 2018, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Workers' Compensation Fund policy states that no corporate fixed income issues cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time. There was no concentration of credit risk as of June 30, 2018.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the Workers' Compensation Fund would not be able to recover the value of its deposits, investments, or collateral securities. The Workers' Compensation Fund does not have a policy relating to custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities (excluding cash, cash equivalents, and repurchase agreements held as securities lending collateral) registered and held in the name of the WSIB for the benefit of the Workers' Compensation Fund.

6. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Workers' Compensation Fund does not have a formal policy to limit foreign currency risk. At June 30, 2018, the only securities held by the Workers' Compensation Fund with foreign currency exposure were $1.02 billion (excludes U.S. dollar denominated securities) invested in an international commingled equity index fund.

The following schedule presents the exposure of the Workers' Compensation Fund to foreign currency risk. The schedule is stated in U.S. dollars.

Workers' Compensation Fund
Foreign Currency Exposure by Country
June 30, 2018
(expressed in thousands)

Foreign Currency Denomination	Equity Securities
Australia-Dollar	$ 51,824
Brazil-Real	14,984
Canada-Dollar	71,829
Denmark-Krone	12,649
E.M.U.-Euro	230,410
Hong Kong-Dollar	81,985
Japan-Yen	185,463
Mexico-Peso	7,899
New Taiwan-Dollar	32,812
Russia-Ruble	7,102
Singapore-Dollar	9,754
South Africa-Rand	16,109
South Korea-Won	39,342
Sweden-Krona	21,781
Switzerland-Franc	53,980
United Kingdom-Pound	134,106
Miscellaneous Foreign Currencies	45,638
Total	$ 1,017,667

7. Derivatives

To manage its exposure to fluctuations in interest and currency rates while increasing portfolio returns, the Workers' Compensation Fund is authorized to utilize various derivative financial instruments including collateralized mortgage obligations, financial futures, forward contracts, interest rate and equity swaps, and options. Derivative transactions involve, to varying degrees, market and credit risk. The Workers' Compensation Fund mitigates market risks arising from derivative transactions by requiring collateral in cash and investments to be maintained equal to the securities positions outstanding, thereby prohibiting the use of leverage or speculation. Credit risks arising from derivative transactions are mitigated by selecting and monitoring creditworthy counterparties and collateral issuers.

Domestic and foreign passive equity index fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by passive equity index fund managers is unavailable.

At June 30, 2018, the only derivative securities held directly by the Workers' Compensation Fund were collateralized mortgage obligations of $683.3 million.

D. INVESTMENTS - LOCAL GOVERNMENT INVESTMENT POOL

1. Summary of Investment Policies

The Local Government Investment Pool (LGIP) is managed and operated by the Office of the State Treasurer (OST). The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

The State Treasurer and designated investment officers shall adhere to all restrictions on the investment of funds established by law and by policy.

The LGIP portfolio is invested in a manner that meets the requirements set forth by the Governmental Accounting Standards Board for the maturity, quality, diversification and liquidity for external investment pools that elect to measure, for financial reporting purposes, all of its investments at amortized costs. The funds are limited to high quality obligations with regulated maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP.

The OST prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, WA 98504-0200, online at: https://tre.wa.gov/partners/for-local-governments/local-government-investment-pool-lgip/lgip-comprehensive-annual-financial-report/, or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

Investment Objectives. In priority order, the objectives of the LGIP investment policy are safety, liquidity, and return on investment.

Safety of principal is the primary objective. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.

The investment portfolio will remain liquid to enable the State Treasurer to meet all cash requirements that might reasonably be anticipated.

The LGIP will be structured with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk parameters and the cash flow characteristics of the pool.

Eligible Investments. Eligible investments are only those securities and deposits authorized by statute (chapters 39.58 and 39.59 RCW, and RCW 43.84.080). Eligible investments include:

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- Obligations of supranational institutions provided that, at the time of investment, the institution has the U.S. government as its largest shareholder.
- Obligations of government-sponsored corporations that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.
- Certificates of deposit or demand deposits with financial institutions qualified by the Washington Public Deposit Protection Commission.

Investment Restrictions. To provide for safety and liquidity of funds, the LGIP policy places the following restrictions on the investment portfolio:

- Investments are restricted to fixed rate securities that mature in 397 days or less, except securities utilized in repurchase agreements and U.S. government and supranational floating or variable rate securities which may have a maximum maturity of 762 days, provided they have reset dates within one year and that on any reset date can reasonably be expected to have a market value that approximates their amortized cost.
- The weighted average maturity of the portfolio will not exceed 60 days.
- The weighted average life of the portfolio will not exceed 120 days.

- The purchase of investments in securities other than those issued by the U.S. government or its agencies will be limited.

- Cash generated through securities lending or reverse repurchase agreement transactions will not increase the dollar amount of specified investment types beyond stated limits.

Participant Transactions. The LGIP transacts with its participants at a stable net asset value per share of $1.00, the same method used for reporting. Participants of the LGIP may contribute and withdraw funds on a daily basis and must inform the OST of any contribution or withdrawal over one million dollars no later than 9:00 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10:00 a.m. on the day of the transaction. However, participants may complete transactions greater than one million dollars when notification is made between 9:00 a.m. and 10:00 a.m., at the sole discretion of the OST. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

2. Valuation of Investments

Investments are stated at amortized cost which approximates fair value. For bank deposits and repurchase agreements, the cost-based measure equals their carrying amount.

Monthly, the fair value net asset value per share is calculated and compared to the amortized cost net asset value per share to verify that the LGIP's shadow price does not deviate by more than one half of 1 percent from the amortized cost of the portfolio.

3. Securities Lending

State statutes permit the LGIP to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The LGIP has contracted with Northern Trust as a lending agent and receives a share of income earned from this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent. Cash collateral received from the lending of non-coupon-bearing securities shall not be valued at less than 102 percent of fair value, not to exceed par.

The cash is invested by the lending agent in accordance with investment guidelines approved by the LGIP. The securities held as collateral and the securities underlying the cash collateral are held by the LGIP's custodian. One option available to the lending agent is to invest cash collateral with the LGIP. Maturities of investments made with cash collateral are generally matched to maturities of securities loaned.

During fiscal year 2018, the LGIP lent U.S. agency and U.S. treasury securities while cash and other securities were received as collateral. At fiscal year end, the fair value of securities on loan was $1.42 billion and the fair value of securities received for collateral was $1.45 billion.

The LGIP investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the LGIP. During fiscal year 2018, the LGIP had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the LGIP. Furthermore, contracts require the lending agent to indemnify the LGIP if the borrowers fail to return securities and if collateral is inadequate to replace the securities lent, or if the borrowers fail to pay the LGIP for income distribution by the securities' issuers while the securities are on loan.

The LGIP cannot pledge or sell collateral securities received unless the borrower defaults. The LGIP investment policy limits the amount of reverse repurchase agreements and securities lending to 30 percent of the total portfolio. There were no violations of legal or contractual provisions and no losses resulting from a default of a borrower or lending agent during the fiscal year.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. To mitigate the effect of interest rate risk, the LGIP portfolio is invested in high quality, highly liquid obligations with limited maximum and average maturities. The LGIP's policy establishes weighted average maturity and weighted average life limits not to exceed 60 and 120 days, respectively. As of June 30, 2018, the LGIP had a weighted average maturity of 33 days and a weighted average life of 80 days.

The following schedule presents the LGIP investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2018:

Local Government Investment Pool (LGIP)
Schedule of Maturities
June 30, 2018
(expressed in thousands)

		Maturity	
Investment Type	**Amortized Cost**	**Less than 1 Year**	**1-5 Years**
U.S. agency securities	$ 5,722,558	$ 4,678,670	$ 1,043,888
U.S. treasury securities	3,833,605	3,833,605	—
Supranational securities	828,094	778,148	49,946
Repurchase agreements	5,025,000	5,025,000	—
Interest bearing bank accounts	1,579,655	1,579,655	—
Certificates of deposit	177,395	177,395	—
Total Investments	$ 17,166,307	$ 16,072,473	$ 1,093,834

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The LGIP investment policy limits the types of securities available for investment to obligations of the U.S. government or its agencies, obligations of supranational institutions, obligations of government-sponsored corporations, and deposits with qualified public depositories.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the LGIP will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The LGIP investment policy requires that securities purchased be held by the master custodian, acting as an independent third party, in its safekeeping or trust department.

Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the LGIP's exposure to risk and ensure the safety of the investment. All securities utilized in repurchase agreements were rated Aaa by Moody's and AA+ by Standard & Poor's. The fair value of securities utilized in repurchase agreements must be at least 102 percent of the value of the repurchase agreement.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The LGIP mitigates concentration of credit risk by limiting the purchase of securities of any one issuer, with the exception of U.S. treasury and U.S. agency securities, to no more than 5 percent of the portfolio.

Repurchase agreements comprise 29.3 percent of the total portfolio as of June 30, 2018. The LGIP limits the securities utilized in repurchase agreements to U.S. treasury and U.S. agency securities. The LGIP requires delivery of all securities utilized in repurchase agreements and the securities are priced daily.

As of June 30, 2018, U.S. treasury securities comprised 22.3 percent of the total portfolio. U.S. agency securities comprised 33.3 percent of the total portfolio, including Federal Home Loan Bank (21.4 percent) and Federal Farm Credit Bank (11.9 percent). Supranational securities comprised 4.8 percent of the total portfolio.

6. Repurchase Agreements

The fair value plus accrued income of securities utilized in repurchase agreements will be 102 percent of the value of the repurchase agreement plus accrued interest.

The securities utilized in repurchase agreements are limited to government securities, are priced daily, and are held by the LGIP's custodian in the state's name. As of June 30, 2018, repurchase agreements totaled $5.03 billion.

E. INVESTMENTS - HIGHER EDUCATION SPECIAL REVENUE, ENDOWMENT, AND STUDENT SERVICES FUNDS

1. Summary of Investment Policies

The investments of the University of Washington represent 78 percent of the total investments in Higher Education Special Revenue, Endowment, and Student Services Funds.

The University of Washington's Board of Regents is vested by statute with responsibility for the University's properties and investments, and for establishing investment policy. The University of Washington Investment Management Company (UWINCO), led by the chief investment officer, carries out the day-to-day activities of the investment portfolios. The UWINCO Board, which consists of both Board of Regents' members and external investment professionals, serves as an advisory board to UWINCO.

The majority of the University's investments are insured, registered, and held by the University's custodial bank as an agent for the University. Investments not held by the custodian include venture capital, private equity, opportunistic investments, marketable alternatives, mortgages, real assets, and miscellaneous investments.

The University combines most short-term cash balances in the Invested Funds Pool. At June 30, 2018, the Invested Funds Pool totaled $1.79 billion. The fund also owns units in the Consolidated Endowment Fund valued at $643.1 million on June 30, 2018.

By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Campus depositors received 0.75 percent in fiscal year 2018. University Advancement received 3 percent of the average balances in endowment operating and gift accounts in fiscal year 2018. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

The majority of the endowed funds are invested in a pooled fund called the Consolidated Endowment Fund (CEF). Individual endowments purchase units in the pool on the basis of a per unit valuation of the CEF at fair value on the last business day of the calendar quarter. Income is distributed based on the number of units held. Chapter 24.55 RCW and the Uniform Prudent Management of Institutional Funds Act allow for total return expenditure in the CEF under comprehensive prudent standards.

Under the CEF spending policy approved by the Board of Regents, quarterly distributions to programs are based on an annual percentage rate of 4 percent applied to the five-year rolling average of the CEF's market valuation.

Additionally, the policy allows for an administrative fee of 1 percent to support campus-wide fundraising and stewardship activities and to offset the internal cost of managing endowment assets.

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Position category. Of the endowments that are recorded at current market value, the net deficiency from the original gift value is $398 thousand at June 30, 2018.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of $62.3 million in fiscal year 2018 from the sale of investments.

The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and are sold in the current year include the net appreciation (depreciation) of these investments reported in the prior year(s). The net appreciation in the fair value of investments during the year ended June 30, 2018, was $299.5 million.

2. Valuation of Investments

The University reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The University holds significant amounts of investments that are measured at fair value on a recurring basis.

The following schedule presents the fair value of the University's investments by type at June 30, 2018:

University of Washington
Investments Measured at Fair Value
June 30, 2018
(expressed in thousands)

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Fixed income securities				
U.S. treasury	$ 652,611	$ 3,967	$ 648,644	$ —
U.S. government agency	545,478	10,879	534,599	—
Mortgage-backed	231,974	—	231,974	—
Asset-backed	175,449	—	175,449	—
Corporate and other	495,926	72,390	423,536	—
Total fixed income securities	2,101,438	87,236	2,014,202	—
Equity securities				
Global equity investments	719,261	711,232	8,029	—
Private equity and venture capital funds	27,224	—	25,885	1,339
Real estate	10,097	5,016	—	5,081
Other	11,385	6,917	—	4,468
Total equity securities	767,967	723,165	33,914	10,888
Externally managed trusts	122,686	—	—	122,686
Total investments by fair value level	2,992,091	$ 810,401	$ 2,048,116	$ 133,574
Investments measured at net asset value (NAV)				
Global equity investments	1,311,637			
Absolute return strategy funds	622,479			
Private equity and venture capital funds	369,888			
Real asset funds	193,341			
Other	48,228			
Total investments measured at the NAV	2,545,573			
Total investments measured at fair value	5,537,664			
Cash equivalents at amortized cost	119,825			
Total Investments	$ 5,657,489			

Investments classified as level 1. Fixed income and equity securities classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Investments classified as level 2. Fixed income and equity securities classified in level 2 are valued using observable inputs including quoted prices for similar securities and interest rates.

Investments classified as level 3. Private equity, real assets, and other investments classified in level 3 are valued using either discounted cash flow or market comparable techniques.

Investments measured at net asset value (NAV). The University's interests in certain non-readily marketable alternative investments, such as hedge funds and private equity limited partnerships, are stated at fair value based on net asset value (NAV) estimates used as a practical expedient and reported to the University by investment fund managers.

The information related to investments measured at the NAV per share (or its equivalent) is presented on the following table:

University of Washington
Investments Measured at the Net Asset Value
June 30, 2018
(expressed in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Global equity investments	$ 1,311,637	$ 22,308	Monthly to annually	15-180 days
Absolute return strategy funds	622,479	—	Quarterly to annually	30-60 days
Private equity and venture capital funds	369,888	347,263	n/a	—
Real asset funds	193,341	55,105	n/a	—
Other	48,228	850	Quarterly to annually	30-95 days
Total investments measured at the NAV	$ 2,545,573			

Global Equity. This investment category includes public equity investments in separately managed accounts, long-only comingled funds, unconstrained limited partnerships, and passive market indices. For 2018, approximately 72 percent of the value of the investments in this category can be redeemed within 90 days, and 92 percent can be redeemed within one year.

Absolute Return. This category includes investments in stable income and low-to-medium beta funds. Management of these funds seeks low correlation to broad equity markets by investing in assets that exhibit low volatility, deep discounts, and/or hedges against market downturns. Approximately 88 percent of the value of the investments in this category can be redeemed within one year.

Private Equity. This category includes buyout, venture, and special situations funds. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the majority of the underlying assets of the funds will be liquidated over the next seven to ten years.

Real assets. This category includes real estate, natural resources, and other hard assets. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the majority of the underlying assets of the funds will be liquidated over the next seven to ten years.

Other. This category consists of opportunistic investments and includes various types of non-investment grade and non-rated credit plus nominal equity exposure. Approximately 15 percent of the value of the investments in this category can be redeemed or anticipate distribution within one year. The remaining balance of these investments contains restrictions on redemption within one year or will be distributed as underlying investments are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 10 years.

3. Funding Commitments

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2018, the University had outstanding commitments to fund alternative investments in the amount of $425.5 million. These commitments are expected to be called over a multi-year timeframe. The University believes it has adequate liquidity and funding sources to meet these obligations.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income securities. The University manages interest rate risk through its investment policies and the investment guidelines established with each manager. Each fixed income manager is assigned a maximum boundary for duration as compared to the manager's relevant benchmark index. The goal is to allow ample freedom for the manager to perform while controlling the interest rate risk in the portfolio.

Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income portfolio was 1.74 years at June 30, 2018.

5. Credit Risk

Fixed income securities are subject to credit risk, which is the risk that the issuer or other counterparty to a financial instrument will not fulfill its obligations, or that negative perceptions of the issuer's ability to make these payments will cause prices to decline. The University's investment policies limit fixed income exposure to investment grade assets. The investment policy for the Invested Funds' cash pool requires each manager to maintain an average quality rating of AA as issued by a nationally recognized rating organization. The investment policy for the Invested Funds' liquidity pool requires each manager to maintain an average quality rating of A and to hold at least 25 percent of their portfolios in government and government agency issues.

The investment policy for the CEF reflects its long-term nature by specifying average quality rating levels by individual manager, but still restricting investments to investment grade credits.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University does not have a formal policy regarding custodial credit risk. However, all University investments in the CEF and the Invested Funds Pool are held in the name of the University and are not subject to custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The CEF investment policy limits concentration by manager, country (other than U.S.), and market sector. The University further mitigates concentration of credit risk through the due diligence of each manager and careful monitoring of asset concentrations.

Duration is a calculation of the number of years required to recover to the true cost of a bond. The duration presented below represents a broad average across all fixed income securities held in the CEF, Invested Funds Pool (IF or operating funds), and debt service reserve funds. The CEF and IF portfolios are managed to have a duration below their policy benchmarks to protect principal and provide liquidity to the overall portfolio.

The following schedule summarizes the composition of the fixed income securities along with credit quality and effective duration measures at June 30, 2018. The schedule excludes $16.3 million of fixed income securities held by component units. Fixed income held by externally managed trusts are also excluded. These amounts make up 0.77 percent of the University's fixed income investments.

University of Washington
Invested Funds Pool and Consolidated Endowment Fund
Fixed Income Credit Quality and Effective Duration
June 30, 2018
(expressed in thousands)

Investment Type	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Effective Duration (in years)
U.S. treasuries	$ 648,644	$ —	$ —	$ —	$ 648,644	1.85
U.S. government agency	540,529	—	—	—	540,529	2.85
Mortgage-backed	—	164,675	42,247	25,052	231,974	1.99
Asset-backed	—	147,713	1,134	26,602	175,449	0.71
Corporate and other	—	368,800	31,830	87,938	488,568	1.14
Total	$ 1,189,173	$ 681,188	$ 75,211	$ 139,592	$ 2,085,164	1.74

* Investment grade securities are those that are rated BBB and higher by Standard and Poor's or Baa and higher by Moody's.

6. Foreign Currency Risk

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University's investment policies permit investments in international equity and other asset classes that can include foreign currency exposure. To manage foreign currency exposure, the University also enters into foreign currency forward contracts, futures contracts, and options. The University held non-U.S. denominated securities at June 30, 2018, of $1.46 billion.

The following schedule, stated in U.S. dollars, details the market value of foreign denominated securities by currency type:

University of Washington
Consolidated Endowment Fund
Foreign Currency Risk
June 30, 2018
(expressed in thousands)

Foreign Currency	Amount
Brazil-Real	$ 78,752
Britain-Pound	78,660
Canada-Dollar	97,112
China-Renminbi	232,898
E.M.U.-Euro	161,709
Hong Kong-Dollar	55,290
India-Rupee	154,962
Japan-Yen	141,518
Mexico-Peso	33,643
Russia-Ruble	30,289
South Korea-Won	58,605
Switzerland-Franc	41,690
Taiwan-Dollar	33,151
Remaining currencies	259,854
Total	$ 1,458,133

7. Derivatives

The University's investment policies allow investing in various derivative instruments, including futures, swaps, and forwards, to manage exposures within or across the portfolio and to improve the portfolio's risk/return profile. Futures are financial contracts obligating the buyer to purchase an asset at a predetermined future date and price. Total return swaps involve commitments to pay interest in exchange for a market-linked return, both based on notional amounts. Derivative instruments are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value.

Credit exposure represents exposure to counterparties relating to financial instruments where gains exceed collateral held by the University or losses are less than the collateral posted by the University. There was no credit exposure as of June 30, 2018. The University had no hedging derivatives, only derivatives for investment purposes.

Details on foreign currency derivatives are disclosed under Foreign Currency Risk.

The following schedule presents the significant terms for derivatives held as investments by the University at June 30, 2018:

University of Washington
Derivative Investments
June 30, 2018
(expressed in thousands)

Description	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional Amount
Options purchased - puts	$ (24)	$ 137	$ 161
Swaps fixed income - long	$ (797)	$ 119,010	$ 119,807
Swaps fixed income - short	$ 3,610	$ (115,391)	$ (119,001)
Futures on contracts - long	$ 52	$ 180,268	$ 180,216
Futures on contracts - short	$ (348)	$ (65,075)	$ (64,727)

F. INVESTMENTS - OFFICE OF THE STATE TREASURER CASH MANAGEMENT ACCOUNT

1. Summary of Investment Policies

The Office of the State Treasurer (OST) operates the state's Cash Management Account for investing Treasury/Trust funds in excess of daily requirements. Investment income earned is allocated based on average daily cash balance. Pursuant to state law, all earnings on investments of Treasury/Trust funds are credited to the General Fund except as specifically provided in RCW 43.79A.040 and RCW 43.84.092. In fiscal year 2018, a portion of the investment income reported by the General Fund was earned by other funds.

The State Treasurer and designated investment officers shall adhere to all restrictions on the investment of funds established by law and by policy.

Investment Objectives. All Treasury/Trust funds will be invested in conformance with federal, state, and other legal requirements. The primary objectives of the portfolio shall be safety and liquidity, with return on investment a secondary objective.

Investments shall be undertaken in a manner that seeks preservation of capital in the overall portfolio. Because the investment portfolio must remain liquid to enable the State Treasurer to meet all cash requirements that can reasonably be anticipated, investments will be managed to maintain cash balances needed to meet daily obligations of the state. After assuring needed levels of safety and liquidity, the investment portfolio will be structured to attain a market rate of return.

Eligible Investments. Eligible investments are only those securities and deposits authorized by statute (chapters 39.58, 43.250, and 43.84.080 RCW). Eligible investments include:

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- U.S. dollar denominated obligations of supranational institutions, provided that at the time of investment the institution has the U.S. government as its largest shareholder.
- Obligations of government-sponsored enterprises that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.
- Commercial paper, provided that the OST adheres to policies and procedures of the Washington State Investment Board (WSIB) regarding commercial paper (RCW 43.84.080(5)).
- Corporate notes, provided that the OST adheres to the investment policies and procedures adopted by the WSIB, per RCW 39.58.080.
- Investment deposits with financial institutions qualified by the Washington Public Deposit Protection Commission (RCW 39.58.010(9)) and deposits made pursuant to RCW 39.58.080.
- Local Government Investment Pool (LGIP).
- Obligations of the state of Washington or its political subdivisions.

Investment Restrictions. To provide for the safety and liquidity of Treasury/Trust funds, the Cash Management Account investment portfolio is subject to the minimum restrictions listed below. Certain investment instruments are subject to more restrictive limitations.

- The final maturity of any security will not exceed ten years.
- Purchase of collateralized mortgage obligations is not allowed.
- The allocation to investments subject to high price sensitivity or reduced marketability will not exceed 15 percent of the daily balance of the portfolio.

Additionally, investments in non-government securities, excluding collateral of repurchase agreements, must fall within prescribed limits.

Limitations and Restrictions on LGIP Participant Withdrawals. Participants of the LGIP may contribute and withdraw funds on a daily basis and must inform the OST of any contribution or withdrawal over one million dollars no later than 9:00 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10:00 a.m. on the day of the transaction. However, participants may complete transactions greater than one million dollars when notification is made between 9:00 a.m. and 10:00 a.m., at the sole discretion of the OST. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

2. Valuation of Investments

The OST reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following table presents fair value measurements as of June 30, 2018:

Office of the State Treasurer
Cash Management Account
Investments Measured at Fair Value
June 30, 2018
(expressed in thousands)

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Debt securities				
U.S. government securities	$ 1,361,309	$ —	$ 1,361,309	$ —
U.S. agency securities	1,323,125	—	1,323,125	—
Supranational securities	615,312	—	615,312	—
Corporate notes	121,436	—	121,436	—
Total investments measured at fair value	$ 3,421,182	$ —	$ 3,421,182	$ —

Investments classified as level 2. The debt securities classified as level 2 in the above table are valued using observable inputs including quoted prices for similar securities and interest rates.

3. Securities Lending

State statutes permit the OST to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The OST has contracted with Northern Trust Company as a lending agent and receives a share of income earned from this activity. The lending agent lends U.S. government and U.S. agency securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent.

The cash is invested by the lending agent in repurchase agreements, deposit accounts, or money market instruments, in accordance with investment guidelines approved by the OST. The securities held as collateral and the securities underlying the cash collateral are held by the custodian. During fiscal year 2018, cash received as collateral was invested in the LGIP money market fund, which allows withdrawals each business day to cover maturing loans. There was no cash collateral from securities lending as of June 30, 2018.

Contracts require the lending agent to indemnify the OST if the borrowers fail to return securities and if the collateral is inadequate to replace the securities lent, or if the borrower fails to pay the OST for income distribution by the securities' issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults. At June 30, 2018, the fair value of securities on loan totaled $355.8 million.

The OST investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the OST. During fiscal year 2018, the OST had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the OST.

There were no violations of legal or contractual provisions, and there were no losses resulting from a default of a borrower or lending agent during the fiscal year.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The Treasury/Trust investments are separated into portfolios with objectives based primarily on liquidity needs.

The OST's investment policy limits the weighted average maturity of its investments based on cash flow expectations. Policy also directs due diligence to be exercised with timely reporting of material deviation from expectations and actions taken to control adverse developments as may be possible.

The following schedules present the OST investments and related maturities, and provide information about the associated interest rate risks as of June 30, 2018:

Office of the State Treasurer
Cash Management Account
Schedule of Maturities and Effective Duration
June 30, 2018
(expressed in thousands)

		Maturity	
Investment Type	**Total Fair Value**	**Less than 1 Year**	**1-5 Years**
U.S. agency securities	$ 1,323,125	$ 294,770	$ 1,028,355
Supranational securities	685,073	140,193	544,880
Corporate notes	121,436	—	121,436
Investments with LGIP	4,416,333	4,416,333	—
Certificates of deposit	169,752	169,752	—
Interest bearing bank accounts	119,242	119,242	—
Total Investments	$ 6,834,961	$ 5,140,290	$ 1,694,671

Credit ratings of investments are presented using the Standard and Poor's (S&P) rating scale as follows:

Office of the State Treasurer
Cash Management Account
Investment Credit Ratings
June 30, 2018
(expressed in thousands)

	Investment Type		
S&P Credit Rating	**Corporate Notes**	**Supranationals**	**Total Fair Value**
AAA	$ 34,371	$ 685,073	$ 719,444
AA+	18,730	—	18,730
AA	41,159	—	41,159
A+	27,176	—	27,176
Total	$ 121,436	$ 685,073	$ 806,509

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The OST limits credit risk by adhering to the OST investment policy which restricts the types of investments the OST can participate in to U.S. government and agency securities, U.S. dollar denominated obligations of supranational institutions, commercial paper, corporate notes, and deposits with qualified public depositaries. Investments in non-government securities may not exceed set percentages of the total daily portfolio size.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The OST investment policy requires that securities purchased by the office be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the OST's exposure to risk and ensure the safety of the investment.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. For non-governmental securities, the OST adheres to the WSIB policy on commercial paper and corporate notes investments which limits its exposure to concentration of credit risk by restricting the amount of investments to no more than 3 percent of the portfolio to any single issuer.

Note 4
Receivables, Unearned, and Unavailable Revenues

A. GOVERNMENTAL FUNDS

Taxes Receivable
Taxes receivable at June 30, 2018, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	$ 1,636,546	$ —	$ —	$ 98	$ 1,636,644
Sales	2,458,385	15	—	927	2,459,327
Business and occupation	972,886	—	—	39	972,925
Estate	1,566	21,066	—	—	22,632
Fuel	—	—	—	180,322	180,322
Beer and wine	—	—	—	5,322	5,322
Marijuana	—	—	—	36,304	36,304
Real estate excise	1,855	82	—	72	2,009
Public utilities	13,111	22	—	—	13,133
Hazardous substance	—	—	—	1,524	1,524
Syrup	5,836	—	—	—	5,836
Other	1,014	—	—	134	1,148
Subtotals	5,091,199	21,185	—	224,742	5,337,126
Less: Allowance for uncollectible receivables	524,459	6	—	2,654	527,119
Total Taxes Receivable	$ 4,566,740	$ 21,179	$ —	$ 222,088	$ 4,810,007

Receivables
Receivables at June 30, 2018, consisted of the following (expressed in thousands):

Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance [(1)]	$ 602,570	$ —	$ —	$ —	$ 602,570
Accounts receivable	696,186	554,961	1,347	342,934	1,595,428
Interest	9,418	11,210	4,520	9,453	34,601
Investment trades pending	9,908	610	9,860	4,348	24,726
Loans [(2)]	6,175	119,393	—	512,764	638,332
Long-term contracts [(3)]	4,310	—	16,143	115,705	136,158
Miscellaneous	11	228	—	28	267
Subtotals	1,328,578	686,402	31,870	985,232	3,032,082
Less: Allowance for uncollectible receivables	606,849	33,823	—	76,866	717,538
Total Receivables	$ 721,729	$ 652,579	$ 31,870	$ 908,366	$ 2,314,544

Notes:
(1) Public assistance receivables mainly represent amounts owed to the state as a part of the Support Enforcement Program at the Department of Social and Health Services for the amounts due from persons required to pay support for individuals currently on state assistance, and have a low realization expectation. Accordingly, the receivable is offset by a large allowance for uncollectible receivables.
(2) Significant long-term portions of loans receivable include $99.5 million in the Higher Education Special Revenue Fund for student loans and $503.7 million in Nonmajor Governmental Funds for low income housing, public works, and economic development/ revitalization loans.
(3) Long-term contracts in Nonmajor Governmental Funds are for timber sales contracts.

Unearned Revenue

Unearned revenue at June 30, 2018, consisted of the following (expressed in thousands):

Unearned Revenue		General		Higher Education Special Revenue		Higher Education Endowment		Nonmajor Governmental Funds		Total
Other taxes	$	5,142	$	—	$	—	$	—	$	5,142
Charges for services		125,457		214,119		—		24,668		364,244
Donable goods		—		—		—		5,829		5,829
Grants and donations		4,660		3,429		—		12,257		20,346
Tolls		—		—		—		24,032		24,032
Transportation		—		—		—		10,659		10,659
Miscellaneous		6,290		15,045		—		9,862		31,197
Total Unearned Revenue	$	141,549	$	232,593	$	—	$	87,307	$	461,449

Unavailable Revenue

Unavailable revenue at June 30, 2018, consisted of the following (expressed in thousands):

Unavailable Revenue		General		Higher Education Special Revenue		Higher Education Endowment		Nonmajor Governmental Funds		Total
Property taxes	$	1,605,156	$	—	$	—	$	26	$	1,605,182
Other taxes		562,136		13,731		—		1,996		577,863
Timber sales		4,310		—		16,143		115,705		136,158
Transportation		—		—		—		15,905		15,905
Charges for services		—		—		—		6,780		6,780
Miscellaneous		4,659		—		—		26,123		30,782
Total Unavailable Revenue	$	2,176,261	$	13,731	$	16,143	$	166,535	$	2,372,670

B. PROPRIETARY FUNDS

Receivables

Receivables at June 30, 2018, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds					Governmental Activities
Receivables	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Total	Internal Service Funds
Accounts receivable	$ 952,133	$ 501,286	$ 411,246	$ 54,854	$ 1,919,519	$ 78,003
Interest	110,048	—	1,475	3,386	114,909	1,434
Investment trades pending	150,000	—	—	1,141	151,141	546
Miscellaneous	—	—	29	2	31	1
Subtotals	1,212,181	501,286	412,750	59,383	2,185,600	79,984
Less: Allowance for uncollectible receivables	167,310	109,509	21,537	58	298,414	821
Total Receivables	$ 1,044,871	$ 391,777	$ 391,213	$ 59,325	$ 1,887,186	$ 79,163

Unearned Revenue

Unearned revenue at June 30, 2018, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds					Governmental Activities
Unearned Revenue	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Total	Internal Service Funds
Charges for services	$ —	$ —	$ 54,117	$ 479	$ 54,596	$ 4,608
Grants and donations	5,300	—	—	—	5,300	25
Other taxes	454	—	—	—	454	—
Miscellaneous	1,893	—	339	1	2,233	—
Total Unearned Revenue	$ 7,647	$ —	$ 54,456	$ 480	$ 62,583	$ 4,633

Taxes Receivables

Taxes receivables at June 30, 2018, consisted of $40 thousand for petroleum products.

C. FIDUCIARY FUNDS

Other Receivables

Other receivables at June 30, 2018, consisted of $21.4 million for interest and other miscellaneous amounts.

Unearned Revenue

Unearned revenue at June 30, 2018, consisted of $673 thousand for service credit restorations reported in Pension and Other Employee Benefit Plans.

Note 5
Interfund Balances and Transfers

A. INTERFUND BALANCES

Interfund balances as reported in the financial statements at June 30, 2018, consisted of the following (expressed in thousands):

	Due From				
Due To	**General**	**Higher Education Special Revenue**	**Higher Education Endowment**	**Nonmajor Governmental Funds**	**Workers' Compensation**
General	$ —	$ 259,506	$ —	$ 181,731	$ 485
Higher Education Special Revenue	52,409	—	666,050	36,786	920
Higher Education Endowment	—	—	—	1,007	—
Nonmajor Governmental Funds	89,014	642	2,245	242,402	22
Workers' Compensation	11	573	—	16	—
Unemployment Compensation	1,167	1,179	—	906	5
Higher Education Student Services	184	2,091	—	889	84
Nonmajor Enterprise Funds	9,695	143	—	1,822	19
Internal Service Funds	44,383	1,451	—	23,629	6,615
Totals	$ 196,863	$ 265,585	$ 668,295	$ 489,188	$ 8,150

Except as noted below, interfund balances are expected to be paid within one year from the date of the financial statements. These balances resulted from the time lag between the dates that (1) interfund goods and services were provided and when the payments occurred and (2) interfund transfers were accrued and when the liquidations occurred.

Interfund balances include: (1) a $5.0 million loan from a nonmajor governmental fund to the General Fund which is expected to be paid over the next two years; (2) a $3.7 million loan between nonmajor governmental funds which is expected to be paid over the next four years, and (3) a $204.9 million revolving loan from the Higher Education Special Revenue Fund to the Higher Education Student Services Fund.

In addition to the interfund balances noted in the schedule above, there are interfund balances of $85.8 million within the state's Pension Trust Funds.

Due From					
Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
$ 7	$ —	$ 103,443	$ 15,527	$ —	$ 560,699
—	263,026	4	17,493	—	1,036,688
—	—	—	—	—	1,007
1,269	5	776	12,018	—	348,393
—	—	—	—	—	600
—	—	30	61	—	3,348
—	—	49	14,266	—	17,563
4	8	369	130	—	12,190
—	105	524	16,314	80	93,101
$ 1,280	$ 263,144	$ 105,195	$ 75,809	$ 80	$ 2,073,589

B. INTERFUND TRANSFERS

Interfund transfers as reported in the financial statements for the year ended June 30, 2018, consisted of the following (expressed in thousands):

	Transferred To				
Transferred From	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	$ —	$ —	$ 300	$ 1,332,142	$ —
Higher Education Special Revenue	68,359	—	36,158	245,608	—
Higher Education Endowment	—	176,372	—	39,786	—
Nonmajor Governmental Funds	446,757	196,039	796	1,501,938	—
Workers' Compensation	—	—	—	—	—
Unemployment Compensation	—	—	—	—	—
Higher Education Student Services	—	358,458	9	3,342	—
Nonmajor Enterprise Funds	170,972	—	—	19,023	—
Internal Service Funds	—	37,693	—	509	—
Totals	$ 686,088	$ 768,562	$ 37,263	$ 3,142,348	$ —

Except as noted below, transfers are used to (1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, (2) move receipts designated for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (4) move profits from the Lottery Fund as required by law, and (5) transfer amounts to and from the General Fund as required by law.

On June 30, 2018, $216.4 million was transferred from the General Fund Basic Account to the Budget Stabilization Account (BSA) in accordance with the provisions of the Constitution. The Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature. The BSA is reported as an Administrative Account within the General Fund.

In addition to the transfers noted in the schedule above, there were transfers of $11.2 million within the state's Pension Trust Funds.

Transferred To				
Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Internal Service Funds	Totals
$ —	$ —	$ 398	$ 26,791	$ 1,359,631
—	399,464	—	26,201	775,790
—	—	—	—	216,158
—	431	—	4,587	2,150,548
—	—	—	—	—
—	—	—	—	—
—	—	—	256	362,065
—	—	13,717	—	203,712
—	231	—	4,387	42,820
$ —	$ 400,126	$ 14,115	$ 62,222	$ 5,110,724

Note 6
Capital Assets

Capital assets at June 30, 2018, are reported by the state of Washington within Governmental Activities and Business-Type Activities, as applicable.

A. GOVERNMENTAL CAPITAL ASSETS

The following is a summary of governmental capital asset activity for the year ended June 30, 2018 (expressed in thousands):

Capital Assets	Balances July 1, 2017	Additions	Deletions/ Adjustments	Balances June 30, 2018
Capital assets, not being depreciated:				
Land	$ 2,666,048	$ 136,910	$ (35,488)	$ 2,767,470
Transportation infrastructure	24,702,820	494,892	(208,764)	24,988,948
Intangible assets - indefinite lives	14,938	19,629	—	34,567
Art collections, library reserves, and museum and historical collections	120,727	2,274	(55)	122,946
Construction in progress	1,175,803	420,859	(564,203)	1,032,459
Total capital assets, not being depreciated	28,680,336			28,946,390
Capital assets, being depreciated:				
Buildings	14,105,259	616,575	(41,036)	14,680,798
Accumulated depreciation	(5,671,670)	(384,571)	24,047	(6,032,194)
Net buildings	8,433,589			8,648,604
Other improvements	1,585,644	21,379	(3,768)	1,603,255
Accumulated depreciation	(824,039)	(40,819)	8,708	(856,150)
Net other improvements	761,605			747,105
Furnishings, equipment, and intangible assets	5,436,495	431,008	(162,201)	5,705,302
Accumulated depreciation	(3,427,722)	(323,656)	133,677	(3,617,701)
Net furnishings, equipment, and intangible assets	2,008,773			2,087,601
Infrastructure	1,215,238	36,913	(5,540)	1,246,611
Accumulated depreciation	(586,540)	(47,248)	1,468	(632,320)
Net infrastructure	628,698			614,291
Total capital assets, being depreciated, net	11,832,665			12,097,601
Governmental Activities Capital Assets, Net	$ 40,513,001			$ 41,043,991

B. BUSINESS-TYPE CAPITAL ASSETS

The following is a summary of business-type capital asset activity for the year ended June 30, 2018 (expressed in thousands):

Capital Assets	Balances July 1, 2017	Additions	Deletions/ Adjustments	Balances June 30, 2018
Capital assets, not being depreciated:				
Land	$ 69,685	$ 89,756	$ (88,551)	$ 70,890
Intangible assets - indefinite lives	4,580	—	—	4,580
Art collections	75	—	(35)	40
Construction in progress	215,459	257,142	(16,040)	456,561
Total capital assets, not being depreciated	289,799			532,071
Capital assets, being depreciated:				
Buildings	3,795,098	147,563	(14,906)	3,927,755
Accumulated depreciation	(1,273,969)	(129,640)	8,878	(1,394,731)
Net buildings	2,521,129			2,533,024
Other improvements	104,696	5,985	(3,158)	107,523
Accumulated depreciation	(55,808)	(4,985)	38	(60,755)
Net other improvements	48,888			46,768
Furnishings, equipment, and intangible assets	1,009,341	38,513	(42,252)	1,005,602
Accumulated depreciation	(789,541)	(60,642)	40,428	(809,755)
Net furnishings, equipment, and intangible assets	219,800			195,847
Infrastructure	57,646	1,429	(56)	59,019
Accumulated depreciation	(29,225)	(2,051)	56	(31,220)
Net infrastructure	28,421			27,799
Total capital assets, being depreciated, net	2,818,238			2,803,438
Business-Type Activities Capital Assets, Net	$ 3,108,037			$ 3,335,509

C. DEPRECIATION

Depreciation expense for the year ended June 30, 2018, was charged by the primary government as follows (expressed in thousands):

		Amount
Governmental Activities:		
General government	$	98,599
Education - elementary and secondary (K-12)		4,287
Education - higher education		466,385
Human services		42,515
Adult corrections		25,638
Natural resources and recreation		47,208
Transportation		111,662
Total Depreciation Expense - Governmental Activities *	$	796,294
Business-Type Activities:		
Workers' compensation	$	8,499
Unemployment compensation		—
Higher education student services		185,991
Other		2,828
Total Depreciation Expense - Business-Type Activities	$	197,318

* Includes $98.3 million internal service fund depreciation that was allocated to governmental activities as a component of net internal service fund activity.

D. CONSTRUCTION IN PROGRESS

Major construction commitments of the state at June 30, 2018, are as follows (expressed in thousands):

Agency / Project Commitments	Construction In Progress June 30, 2018	Remaining Project Commitments
Office of the Secretary of State:		
Library-Archives building and other projects	$ 3,604	$ 95,144
Department of Revenue:		
Tax and Licensing System Replacement	8,294	20,189
Department of Enterprise Services:		
1063 Building project	92,977	1,982
Natural Resource building garage fire suppression and critical repair	7,714	363
Various projects	3,983	10,508
Washington State Patrol:		
Fire Training Academy aircraft rescue repairs, burn building, and dining hall	2,130	9,812
Various projects	963	6,255
Department of Social and Health Services:		
Residential housing unit renovations and other projects	22,149	64,007
State hospitals	33,290	78,796
Department of Corrections:		
Correctional center units security and safety improvements, and other projects	10,862	29,477
Department of Transportation:		
State ferry vessels and terminals, and other projects	355,105	264,559
Transportation infrastructure	—	1,287,344
Department of Fish and Wildlife:		
Soos Creek Hatchery, Fir Island Farm, Kalama Hatchery, and other projects	50,334	145,941
Employment Security Department:		
Paid Family Medical Leave system	4,901	32,612
University of Washington:		
Bill & Melinda Gates Computer Science, Population Health, and Life Science Building	277,286	78,527
Husky Stadium improvements and other projects	4,984	399
McCarty Hall, Stevens Court, and north campus student housing	150,622	17,325
UW Medical Center expansion and renovation projects	22,436	9,499
Washington biomedical research facility	129,268	15,711
Washington State University:		
Animal Health Research, Plant Science, Airport, and other facility projects	15,566	92,402
Athletics and other projects	380	1,469
Chief Joseph Village and other housing projects	15,041	21,284
Eastern Washington University:		
Engineering building, Pence Union Building, and other projects	40,513	65,530
Interdisciplinary Science Center renovation	5,885	178,956
Central Washington University:		
Bouillon Hall, new residence hall, old heat renovation, and other projects	22,053	4,169
Samuelson Communication & Technology Center	57,078	—
The Evergreen State College:		
Housing and other projects	6,062	16,579
Western Washington University:		
Multicultural student center, residence hall, and Carver Hall renovation	14,198	27,017
Science Building renovation and addition	1,776	84,265
Community and Technical Colleges:		
Bellevue student housing and success building	54,939	4,100
Big Bend Professional Technical building	3,365	43,507
Clover Park advanced manufacturing and loading dock	8,527	32,925
Edmonds Science, Engineering, and Technology building project	4,951	40,797
Whatcom student housing and learning commons	5,952	55,359
Other miscellaneous community college projects	33,663	61,704
Other Agency Projects:	18,169	10,776
Total Construction in Progress	$ 1,489,020	$ 2,909,289

Note 7
Long-Term Liabilities

A. BONDS PAYABLE

Bonds payable at June 30, 2018, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

The State Constitution and enabling statutes authorize the incurrence of state general obligation debt, to which the state's full faith, credit, and taxing power are pledged, either by the Legislature or by a body designated by statute (presently the State Finance Committee).

Authorization arises in the following situations:

- From an affirmative vote of 60 percent of the members of each house of the Legislature, without voter approval, in which case the amount of such debt is generally subject to the constitutional debt limitation described below.
- When authorized by law for a distinct work or object and approved by a majority of the voters voting thereon at a general election or a special election called for that purpose, in which case the amount of the debt so approved is not subject to the constitutional debt limitations described below.
- By the State Finance Committee without limitation as to amount, and without approval of the Legislature or approval of the voters.

The State Finance Committee debt authorization does not require voter approval; however, it is limited to providing for: (1) meeting temporary deficiencies of the state treasury if such debt is discharged within 12 months of the date of incurrence and is incurred only to provide for appropriations already made by the Legislature; or (2) refunding of outstanding obligations of the state.

Legal Debt Limitation

The State Constitution limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations. In November 2012, voters passed a constitutional amendment specifying that maximum annual payments of principal and interest on all debt subject to the limit may not exceed a percentage of the average of the prior six years' general state revenues; this percentage currently stands at 8.25 percent and will decline to 8.00 percent by July 1, 2034. This limitation restricts the incurrence of new debt and not the amount of debt service that may be paid by the state in future years.The State Constitution requires the State Treasurer to certify the debt service limitation for each fiscal year. In accordance with these provisions, the debt service limitation for fiscal year 2018 is $1.42 billion.

This computation excludes specific bond issues and types that are not secured by general state revenues. Of the $19.18 billion general obligation bond debt principal outstanding at June 30, 2018, $11.36 billion is subject to the limitation.

Based on the debt limitation calculation, the debt service requirements as of June 30, 2018, did not exceed the authorized debt service limitation.

For further information on the debt limit, refer to the Certification of the Debt Limitation of the state of Washington available from the Office of the State Treasurer at https://www.tre.wa.gov/wp-content/uploads/Debt-Limit-Certification-Complete.pdf or to Schedule 11 in the Statistical Section of this report.

Authorized But Unissued

The state had a total of $12.42 billion in general obligation bonds authorized but unissued as of June 30, 2018, for the purpose of capital construction, higher education, transportation, and various other projects throughout the state.

Interest Rates

Interest rates on fixed rate general obligation bonds range from 0.70 to 6.03 percent. Interest rates on revenue bonds range from 1.40 to 7.40 percent.

Debt Service Requirements to Maturity

General Obligations Bonds

General obligation bonds have been authorized and issued primarily to provide funds for the following purposes:

- Acquisition and construction of state and common school capital facilities.
- Transportation construction and improvement projects.
- Assistance to local governments for public works capital projects.
- Refunding of general obligation bonds outstanding.

Outstanding general obligation bonds are presented in the Washington State Treasurer's Annual Report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, WA 98504-0200, phone number (360) 902-9000 or TTY 711, or by visiting their website at http://www.tre.wa.gov/about-us/resources/annual-reports.

Total debt service requirements to maturity for general obligation bonds as of June 30, 2018, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
General Obligation Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2019	$ 986,729	$ 953,396	$ —	$ —	$ 986,729	$ 953,396
2020	982,907	918,871	—	—	982,907	918,871
2021	961,445	861,059	—	—	961,445	861,059
2022	968,712	797,961	—	—	968,712	797,961
2023	978,077	755,110	—	—	978,077	755,110
2024-2028	4,931,210	3,106,431	—	—	4,931,210	3,106,431
2029-2033	4,570,773	1,847,397	—	—	4,570,773	1,847,397
2034-2038	3,132,245	797,207	—	—	3,132,245	797,207
2039-2043	1,668,990	167,321	—	—	1,668,990	167,321
Total Debt Service Requirements	$ 19,181,088	$ 10,204,753	$ —	$ —	$ 19,181,088	$ 10,204,753

Revenue Bonds

Revenue bonds are authorized under current state statutes, which provide for the issuance of bonds that are not supported or not intended to be supported, by the full faith and credit of the state.

General Revenue

The University of Washington and Washington State University issue general revenue bonds that are payable from general revenues, including student tuition, grant indirect cost recovery, sales and services revenue, and investment income. General revenue bonds outstanding as of June 30, 2018, include $925.7 million in governmental activities and $1.74 billion in business-type activities.

Pledged Revenue

The remainder of the state's revenue bonds pledge income derived from acquired or constructed assets for retirement of the debt and payment of the related interest.

Total debt service requirements for revenue bonds to maturity as of June 30, 2018, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Revenue Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2019	$ 127,990	$ 104,417	$ 79,446	$ 100,427	$ 207,436	$ 204,844
2020	130,964	98,484	69,913	97,256	200,877	195,740
2021	136,883	92,094	73,508	94,013	210,391	186,107
2022	154,169	85,389	76,798	90,497	230,967	175,886
2023	161,019	77,767	77,290	138,236	238,309	216,003
2024-2028	474,457	294,685	398,642	361,291	873,099	655,976
2029-2033	352,744	213,453	415,209	263,544	767,953	476,997
2034-2038	313,945	133,725	410,994	168,950	724,939	302,675
2039-2043	233,854	63,217	398,060	69,888	631,914	133,105
2044-2048	146,796	27,445	138,689	10,136	285,485	37,581
2049-2053	64,274	7,099	2,425	97	66,699	7,196
Total Debt Service Requirements	$ 2,297,095	$ 1,197,775	$ 2,140,974	$ 1,394,335	$ 4,438,069	$ 2,592,110

Governmental activities include revenue bonds outstanding at June 30, 2018, of $178.5 million issued by the Tobacco Settlement Authority (TSA), which is a blended component unit of the state. In November 2002, the TSA issued $517.9 million in bonds and transferred $450.0 million to the state to be used for increased health care, long-term care, and other programs.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are obligations of the TSA and are secured solely by the TSA's right to receive 29.2 percent of the state's tobacco settlement revenues, restricted investments of the TSA, undistributed TSA bond proceeds, and the earnings thereon held under the indenture authorizing the bonds. Total principal and interest remaining on the bonds is $244.9 million, payable through 2033. For the current year, both pledged revenue and debt service were $37.2 million.

Governmental activities include grant anticipation revenue bonds outstanding at June 30, 2018, of $589.0 million issued for the Washington State Department of Transportation. The bonds were issued to finance a portion of the cost of constructing the State Route 520 Floating Bridge and Eastside Project.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are payable solely from Federal-Aid Highway Program funds, including federal reimbursements of debt service on the bonds and federal reimbursements to the state for projects or portions of projects not financed with bond proceeds. Total principal and interest remaining on the bonds is $697.3 million, payable through 2024. For the current year both pledged revenue and debt service were $100.0 million.

Governmental activities include the Transportation Infrastructure Finance and Innovation Act Bond (TIFIA Bond) outstanding at June 30, 2018, of $296.9 million. The bonds were issued to finance a portion of the State Route 520 Corridor Program.

The TIFIA Bond is payable solely from toll revenues and does not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of this bond. Total principal and interest remaining on the bond is $529.7 million, payable through 2051. For the current year both pledged revenue and debt service were $12.7 million.

Governmental activities include revenue bonds outstanding at June 30, 2018, of $38.1 million issued by the Tumwater Office Properties (TOP), which is a blended component unit of the state. The bonds, issued in 2004, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Tumwater, Washington which the state occupied beginning in fiscal year 2006.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $48.9 million, payable through 2029. For the current year, both pledged revenue and debt service were $3.7 million.

Governmental activities include revenue bonds outstanding at June 30, 2018, of $266.8 million issued by FYI Properties, a blended component unit of the state. The bonds, issued in 2009, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Olympia, Washington which the state occupied beginning in fiscal year 2012.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $452.5 million, payable through 2039. For the current year, both pledged revenue and debt service were $21.6 million.

Additionally, governmental activities include revenue bonds outstanding at June 30, 2018, of $2.1 million issued by the City of Aberdeen. The bonds were used to extend utilities to the state Department of Corrections Stafford Creek Corrections Center. The Department of Corrections entered into an agreement with the City of Aberdeen to pay a system development fee sufficient to pay the debt service on the bonds. The bonds were issued in 1998 and 2002, and refunded by the city in 2010, and are payable solely from current operating appropriations.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on these bonds is $2.3 million payable through 2022. For the current year, both pledged revenue and debt service were $1.6 million.

The state's colleges and universities may also issue bonds for the purpose of housing, dining, parking, and student facilities construction. These bonds are reported within business-type activities and are secured by a pledge of specific revenues. These bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds.

Total pledged specific revenues for the state's colleges and universities to repay the principal and interest of revenue bonds as of June 30, 2018, are as follows (expressed in thousands):

Source of Revenue Pledged	Housing and Dining Revenues (Net of Operating Expenses)	Student Facilities Fees and Earnings on Invested Fees	Bookstore Revenues
Current revenue pledged	$ 46,225	$ 15,808	$ 332
Current year debt service	19,895	9,288	202
Total future revenues pledged *	420,053	102,142	3,236
Description of debt	Housing and dining bonds issued in 1998-2018	Student facilities bonds issued in 2004-2015	Student union and recreation center bonds issued in 2004
Purpose of debt	Construction and renovation of student housing and dining facilities	Construction and renovation of student activity and sports facilities	Construction of a new bookstore as part of a new student union and recreation building
Term of commitment	2026-2049	2032-2039	2034
Percentage of debt service to pledged revenues (current year)	43.04%	58.76%	61.00%

*Total future principal and interest payments.

B. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2018, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

Current state law authorizes the state to enter into long-term financing contracts for the acquisition of real or personal property and for the issuance of certificates of participation in the contracts. These certificates of participation do not fall under the general obligation debt limitations and are generally payable only from annual appropriations by the Legislature.

Other specific provisions could also affect the state's obligation under certain agreements. The certificates of participation are recorded for financial reporting purposes if the possibility of the state not meeting the terms of the agreements is considered remote.

Total debt service requirements for certificates of participation to maturity as of June 30, 2018, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Certificates of Participation	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2019	$ 155,175	$ 50,864	$ 5,375	$ 1,762	$ 160,550	$ 52,626
2020	73,586	26,257	12,925	4,612	86,511	30,869
2021	61,505	22,945	10,804	4,030	72,309	26,975
2022	56,249	20,065	9,880	3,525	66,129	23,590
2023	48,830	17,399	8,577	3,056	57,407	20,455
2024-2028	169,793	58,512	29,825	10,278	199,618	68,790
2029-2033	99,919	26,814	17,551	4,710	117,470	31,524
2034-2038	62,969	9,704	11,061	1,705	74,030	11,409
2039-2043	7,783	1,205	1,367	212	9,150	1,417
Total Debt Service Requirements	$ 735,809	$ 233,765	$ 107,365	$ 33,890	$ 843,174	$ 267,655

C. DEBT REFUNDINGS

When advantageous and permitted by statute and bond covenants, the State Finance Committee authorizes the refunding of outstanding bonds and certificates of participation. Colleges and universities may also refund revenue bonds.

When the state refunds outstanding bonds, the net proceeds of each refunding issue are used to purchase U.S. government securities that are placed in irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds.

As a result, the refunded bonds are considered defeased and the liability is removed from the government-wide statement of net position.

Current Year Defeasances

Bonds

Governmental Activities

On October 11, 2017, the state issued $27.3 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund $29.7 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent. The refunding resulted in a $3.1 million gross debt service savings over the next five years and an economic gain of $3.0 million.

Also on October 11, 2017, the state issued $29.3 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 5 percent to refund $32.1 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 5 percent. The refunding resulted in a $3.5 million gross debt service savings over the next six years and an economic gain of $3.5 million.

On December 7, 2017, the state issued $742.6 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund $813.9 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent. The refunding resulted in a $137.8 million gross debt service savings over the next 18 years and an economic gain of $107.8 million.

On December 20, 2017, the state issued $501.5 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund $536.2 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent. The refunding resulted in a $69.2 million gross debt service savings over the next 18 years and an economic gain of $52.5 million.

On June 20, 2018, the Tobacco Settlement Authority (TSA) issued $43.6 million in TSA refunding bonds with an average interest rate of 3 percent to refund $47.5 million of TSA bonds with an average interest rate of 5 percent. The refunding resulted in $17.5 million gross debt service savings over the next five years and an economic gain of $8.7 million.

Business-Type Activities

On December 21, 2017, the Western Washington University issued $10.7 million in housing and dining revenue refunding bonds with an average interest rate of 3.8 percent to refund $12.2 million of housing and dining revenue bonds with an average interest rate of 7.0 percent. The refunding resulted in $2.3 million gross debt service savings over the next 15 years and an economic gain of $306 thousand.

Prior Year Defeasances

In prior years, the state defeased certain general obligation bonds, revenue bonds, and certificates of participation by placing the proceeds of new bonds and certificates of participation in an irrevocable trust to provide for all future debt service payments on the prior bonds and certificates of participation.

Accordingly, the trust account assets and the liability for the defeased bonds and certificates of participation are not included in the state's financial statements.

General Obligation Bond Debt

On June 30, 2018, $3.20 billion of general obligation bond debt outstanding is considered defeased.

Revenue Bond Debt

On June 30, 2018, $13.4 million of revenue bond debt outstanding is considered defeased.

Certificates of Participation Debt

On June 30, 2018, $60.2 million of certificates of participation debt outstanding is considered defeased.

D. LEASES

Leases at June 30, 2018, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

The state leases land, office facilities, office and computer equipment, and other assets under a variety of agreements. Although lease terms vary, most leases are subject to appropriation from the Legislature to continue the obligation. If the possibility of receiving no funding from the Legislature is remote, leases are considered noncancelable for financial reporting purposes. Leases that represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the financial records at the inception of the lease.

Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Certain operating leases are renewable for specified periods. In most cases, management expects that the leases will be renewed or replaced by other leases.

Land, buildings, and equipment under capital leases as of June 30, 2018, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Buildings	$ 6,680	$ 4,512
Equipment	5,502	13,762
Less: Accumulated Depreciation	(2,952)	(11,681)
Totals	$ 9,230	$ 6,593

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2018, (expressed in thousands):

	Capital Leases		Operating Leases	
Capital and Operating Leases	**Governmental Activities**	**Business-Type Activities**	**Governmental Activities**	**Business-Type Activities**
By Fiscal Year:				
2019	$ 982	$ 2,680	$ 225,804	$ 49,713
2020	889	2,273	208,509	47,800
2021	722	1,943	184,817	38,399
2022	665	1,740	150,287	31,886
2023	658	1,046	138,911	27,031
2024-2028	1,046	—	412,954	58,857
2029-2033	1,153	—	40,471	49,588
2034-2038	1,433	—	24,284	56,219
2039-2043	2,334	—	14,173	63,904
2044-2048	—	—	1,687	75,102
Total Future Minimum Payments	9,882	9,682	1,401,897	498,499
Less: Executory Costs and Interest Costs	(154)	(616)	—	—
Net Present Value of Future Minimum Lease Payments	$ 9,728	$ 9,066	$ 1,401,897	$ 498,499

The total operating lease rental expense for fiscal year 2018 for governmental activities was $415.2 million, of which $145 thousand was for contingent rentals. The total operating lease rental expense for fiscal year 2018 for business-type activities was $43.5 million.

E. CLAIMS AND JUDGMENTS

Claims and judgments are materially related to three activities: workers' compensation, risk management, and health insurance. Workers' compensation is a business-type activity, and risk management and health insurance are governmental activities. A description of the risks to which the state is exposed by these activities, and the ways in which the state handles the risks, is presented in Note 1.E.

Workers' Compensation

At June 30, 2018, $39.12 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of $27.77 billion. These claims are discounted at assumed interest rates of 1.5 percent (non-pension and cost of living adjustments), 6.1 percent for all self-insured pension annuities and state fund pension annuities expected to be granted between July 1, 2018, and March 31, 2019, and 4.5 percent for the remaining state fund pension annuities to arrive at a settlement value.

The claims and claim adjustment liabilities of $27.77 billion as of June 30, 2018, include $14.02 billion for supplemental pension cost of living adjustments (COLAs) that by statute are not to be fully funded. These COLA payments are funded on a pay-as-you-go basis, and the workers' compensation actuaries have indicated that future premium payments will be sufficient to pay these claims as they come due.

The remaining claims liabilities of $13.75 billion are fully funded by long-term investments, net of obligations under securities lending agreements.

Changes in the balances of workers' compensation claims liabilities during fiscal years 2017 and 2018 were as follows (expressed in thousands):

Workers' Compensation Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
2017	$ 25,852,326	3,030,714	(2,242,502)	$ 26,640,538
2018	$ 26,640,538	3,445,361	(2,311,596)	$ 27,774,303

Risk Management

The Risk Management Fund administers tort and sundry claims filed against Washington state agencies, except the University of Washington and the Department of Transportation Ferries Division. The fund reports a tort liability when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for tort claims that have been incurred but not reported. It also includes an actuarial estimate of loss adjustment expenses for tort defense.

Because actual liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, it should be recognized that future loss emergence will likely deviate, perhaps materially, from the actuarial estimates. Liabilities are re-evaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic or social factors.

The state is a defendant in a significant number of lawsuits pertaining to general and automobile liability matters.

As of June 30, 2018, outstanding and actuarially determined claims against the state and its agencies, with the exception of the University of Washington and the Department of Transportation Ferries Division, including actuarially projected defense costs were $614.9 million for which the state has recorded a liability. The state is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined liabilities.

Changes in the balances of risk management claims liabilities during fiscal years 2017 and 2018 were as follows (expressed in thousands):

Risk Management Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Tort Defense Payments	Balances End of Fiscal Year
2017	$ 568,821	182,654	(128,620)	(19,828)	$ 603,027
2018	$ 603,027	119,033	(85,174)	(21,974)	$ 614,912

Health Insurance

The Health Insurance Fund establishes a liability when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for claims that have been incurred but not reported. Because actual claims liabilities depend on various complex factors, the process used in computing claims liabilities does not always result in an exact amount.

Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic or social factors.

At June 30, 2018, health insurance claims liabilities totaling $92.4 million are fully funded with cash and investments, net of obligations under securities lending agreements.

Changes in the balances of health insurance claims liabilities during fiscal years 2017 and 2018 were as follows (expressed in thousands):

Health Insurance Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
2017	$ 87,370	1,086,732	(1,090,211)	$ 83,891
2018	$ 83,891	1,204,084	(1,195,596)	$ 92,379

F. POLLUTION REMEDIATION

The state reports pollution remediation obligations in accordance with GASB Statement No. 49. The liability reported involves estimates of financial responsibility and amounts recoverable as well as remediation costs.

The liability could change over time as new information becomes available and as a result of changes in remediation costs, technology, and regulations governing remediation efforts. Additionally, the responsibilities and liabilities discussed in this disclosure are intended to refer to obligations solely in the accounting context. This disclosure does not constitute an admission of any legal responsibility or liability. Further, it does not establish or affect the rights or obligations of any person under the law, nor does this disclosure impose upon the state any new mandatory duties or obligations.

The state and its agencies are participating as potentially responsible parties in numerous pollution remediation projects under the provisions of the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA, generally referred to as Superfund) and the state Model Toxics Control Act.

There are 30 projects in progress for which the state has recorded a liability of $57.1 million.

The state has also voluntarily agreed to conduct certain remediation activities to the extent of funding paid to the state by third parties for such purposes. At June 30, 2018, the state has recorded a liability of $94.3 million for remaining project commitments.

Overall, the state has recorded a pollution remediation liability of $151.4 million, measured at its estimated amount, using the expected cash flow technique. The overall estimate is based on professional judgment, experience, and historical cost data. For some projects, the state can reasonably estimate the range of expected outlays early in the process because the site situation is common or similar to other sites with which the state has experience. In other cases, the estimates are limited to an amount specified in a settlement agreement, consent decree, or contract for remediation services.

The pollution remediation activity at some sites for which the state would otherwise have a reportable obligation is at a point where certain costs are not reasonably estimable. For example, a site assessment, remedial investigation, or feasibility study is in progress and the cleanup methodology has not yet been determined; consequently, associated future costs cannot be estimated.

The state's reported liability does not include remediation costs for future activities where costs are not yet reasonably estimable.

G. LONG-TERM LIABILITY ACTIVITY

Long-term liability activity at June 30, 2018, is reported by the state of Washington within governmental activities and business-type activities, as applicable.

Long-term liability activity for governmental activities for fiscal year 2018 is as follows (expressed in thousands):

Governmental Activities:	Beginning Balance July 1, 2017*	Additions	Reductions	Ending Balance June 30, 2018	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	$ 18,779,990	$ 2,376,160	$ 2,333,780	$ 18,822,370	$ 935,340
GO - zero coupon bonds (principal)	412,247	—	53,529	358,718	51,389
Subtotal - GO bonds payable	19,192,237	2,376,160	2,387,309	19,181,088	986,729
Accreted interest - GO - zero coupon bonds	457,635	—	24,263	433,372	71,986
Revenue bonds payable	2,318,777	159,877	181,559	2,297,095	127,990
Plus: Unamortized premiums on bonds sold	1,391,058	446,226	106,468	1,730,816	—
Total Bonds Payable	23,359,707	2,982,263	2,699,599	23,642,371	1,186,705
Other Liabilities:					
Certificates of participation	730,725	79,283	74,199	735,809	155,175
Plus: Unamortized premiums on COPs sold	20,790	3,563	4,426	19,927	—
Claims and judgments payable	995,795	108,753	98,038	1,006,510	329,188
Installment contracts	1,591	—	137	1,454	137
Leases	3,256	6,995	523	9,728	930
Compensated absences	625,798	485,795	425,895	685,698	100,317
Net pension liability	4,999,552	884,614	1,840,034	4,044,132	11,994
OPEB liability	5,472,738	465,114	822,600	5,115,252	80,952
Pollution remediation obligations	150,853	7,228	6,667	151,414	—
Unclaimed property refunds	197,411	46,593	—	244,004	6,230
Other	505,821	114,509	290,702	329,628	27,078
Total Other Liabilities	13,704,330	2,202,447	3,563,221	12,343,556	712,001
Total Long-Term Debt	$ 37,064,037	$ 5,184,710	$ 6,262,820	$ 35,985,927	$ 1,898,706

* The beginning balance of net pension liability has been restated by $3.3 million as a result of a reclassification of the net pension liability between governmental activities and business type activities. The beginning balance of the OPEB liability has been restated by $2.60 billion as a result of implementing GASB Statement No. 75. The beginning balance of other liabilities has been restated by $55.4 million as a result of implementing GASB Statement No. 81.

For governmental activities, certificates of participation are being repaid approximately 26 percent from the General Fund, 36 percent from the Higher Education Special Revenue Fund, 16 percent from the Motor Vehicle Fund (a nonmajor special revenue fund), and the balance from various governmental funds. The compensated absences liability will be liquidated approximately 45 percent by the General Fund, 34 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The claims and judgments liability will be liquidated approximately 61 percent by the Risk Management Fund (a nonmajor internal service fund), 12 percent by the Health Insurance Fund (a nonmajor internal service fund), and the balance by various other governmental funds. The other post employment benefits liability will be liquidated approximately 40 percent by the General Fund, 28 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The net pension liability will be liquidated approximately 47 percent by the General Fund, 33 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The pollution remediation liability will be liquidated approximately 81 percent by the Wildlife and Natural Resources Fund (a nonmajor governmental fund), and the balance by various other governmental funds. The unclaimed property refunds will be liquidated against future unclaimed property deposited to the General Fund. Leases, installment contract obligations, and other liabilities will be repaid from various other governmental funds.

Long-term liability activity for business-type activities for fiscal year 2018 is as follows (expressed in thousands):

Business-Type Activities	Beginning Balance July 1, 2017*	Additions	Reductions	Ending Balance June 30, 2018	Amounts Due Within One Year
Long-Term Debt:					
Revenue bonds payable	$ 2,125,264	$ 107,338	$ 91,628	$ 2,140,974	$ 79,446
Plus: Unamortized premiums on bonds sold	182,042	20,321	16,843	185,520	—
Total Bonds Payable	2,307,306	127,659	108,471	2,326,494	79,446
Other Liabilities:					
Certificates of participation	82,865	29,216	4,716	107,365	5,375
Plus: Unamortized premiums on COPs sold	8,984	4,301	499	12,786	—
Claims and judgments payable	26,659,065	2,327,112	1,194,882	27,791,295	2,231,085
Installment contracts	65,718	139	3,162	62,695	3,162
Lottery prize annuities payable	121,376	35,256	29,120	127,512	14,132
Tuition benefits payable	1,740,000	93,916	126,916	1,707,000	173,000
Leases	9,396	1,901	2,231	9,066	2,423
Compensated absences	83,731	34,836	33,419	85,148	52,170
Net pension liability	666,635	90,215	240,730	516,120	658
OPEB liability	765,652	59,503	118,455	706,700	11,183
Other	81,921	12,460	14,790	79,591	8,724
Total Other Liabilities	30,285,343	2,688,855	1,768,920	31,205,278	2,501,912
Total Long-Term Debt	$ 32,592,649	$ 2,816,514	$ 1,877,391	$ 33,531,772	$ 2,581,358

* The beginning balance of net pension liability has been restated by $3.3 million as a result of a reclassification of the net pension liability between governmental activities and business-type activities. The beginning balance of the OPEB liability has been restated by $447.2 million as a result of implementing GASB Statement No. 75.

Note 8
No Commitment Debt

The Washington State Housing Finance Commission, Washington Higher Education Facilities Authority, Washington Health Care Facilities Authority, and Washington Economic Development Finance Authority (financing authorities) were created by the Legislature. For financial reporting purposes, they are discretely presented as component units. These financing authorities issue bonds for the purpose of making loans to qualified borrowers for capital acquisitions, construction, and related improvements.

These bonds do not constitute either a legal or moral obligation of the state or these financing authorities, nor does the state or these financing authorities pledge their full faith and credit for the payment of such bonds.

Debt service on the bonds is payable solely from payments made by the borrowers pursuant to loan agreements. Due to their no commitment nature, the bonds issued by these financing authorities are excluded from the state's financial statements.

The schedule below presents the June 30, 2018, balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities	Principal Balance
Washington State Housing Finance Commission	$ 4,800,559
Washington Health Care Facilities Authority	5,832,545
Washington Higher Education Facilities Authority	624,856
Washington Economic Development Finance Authority	841,794
Total No Commitment Debt	$ 12,099,754

Note 9

Governmental Fund Balances

A. GOVERNMENTAL FUNDS

The state's governmental fund balances are reported according to the relative constraints that control how amounts can be spent. Classifications include nonspendable, restricted, committed, and assigned, which are further described in Note 1.D.9.

A summary of governmental fund balances at June 30, 2018, is as follows (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Nonspendable:					
Permanent funds	$ —	$ —	$ 2,466,357	$ 207,906	$ 2,674,263
Consumable inventories	13,461	29,046	—	48,766	91,273
Other receivables – long-term	31,939	16,246	—	—	48,185
Total Nonspendable Fund Balance	$ 45,400	$ 45,292	$ 2,466,357	$ 256,672	$ 2,813,721
Restricted for: *					
Higher education	$ —	$ 45,529	$ 1,659,874	$ 60,069	$ 1,765,472
Education	105,200	—	11,368	36,605	153,173
Transportation	—	—	—	1,359,304	1,359,304
Other purposes	—	—	—	5,889	5,889
Human services	—	—	1,521	553,258	554,779
Wildlife and natural resources	—	—	1	1,089,026	1,089,027
Local grants and loans	—	—	—	171	171
School construction	1,511	—	—	32,583	34,094
State facilities	—	—	—	274,454	274,454
Budget stabilization	1,369,438	—	—	—	1,369,438
Debt service	—	—	—	53,201	53,201
Pollution remediation	—	—	—	47,157	47,157
Operations and maintenance	—	—	—	9,654	9,654
Repair and replacement	—	—	—	20,404	20,404
Revenue stabilization	—	—	—	28,805	28,805
Deferred Sales Tax	—	—	—	1,000	1,000
Third tier debt service	—	—	—	6,827	6,827
Fourth tier debt service	—	—	—	1,843	1,843
Total Restricted Fund Balance	$ 1,476,149	$ 45,529	$ 1,672,764	$ 3,580,250	$ 6,774,692
Committed for:					
Higher education	$ 111,692	$ 2,745,732	$ —	$ 58,802	$ 2,916,226
Education	494	—	—	3,254	3,748
Transportation	—	—	—	415,476	415,476
Other purposes	255,527	—	—	326,828	582,355
Human services	—	—	—	769,907	769,907
Wildlife and natural resources	20,217	—	—	470,306	490,523
Local grants and loans	—	—	—	918,084	918,084
State facilities	—	—	—	12,911	12,911
Debt service	—	—	—	343,713	343,713
Total Committed Fund Balance	$ 387,930	$ 2,745,732	$ —	$ 3,319,281	$ 6,452,943
Assigned for:					
Working capital	$ 1,513,952	$ 18,300	$ —	$ —	$ 1,532,252
Total Assigned Fund Balance	$ 1,513,952	$ 18,300	$ —	$ —	$ 1,532,252

*Net position restricted as a result of enabling legislation totaled $8.2 million.

B. Budgetary Stabilization Account

In accordance with Article 7, Section 12 of the Washington State Constitution, the state maintains the Budget Stabilization Account ("Rainy Day Fund"). The Budget Stabilization Account is reported in the General Fund.

By June 30 of each fiscal year, an amount equal to 1 percent of the general state revenues for that fiscal year is transferred to the Budget Stabilization Account.

The Budget Stabilization Account balance can only be used as follows: (a) if the Governor declares a state of emergency resulting from a catastrophic event that necessitates government action to protect life or public safety, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account, via separate legislation setting forth the nature of the emergency and containing an appropriation limited to the above-authorized purposes as contained in the declaration, by a favorable vote of a majority of the members elected to each house of the Legislature; (b) if the employment growth forecast for any fiscal year is estimated to be less than 1 percent, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account by the favorable vote of a majority of the members elected to each house of the Legislature; (c) any amount may be withdrawn and appropriated from the Budget Stabilization Account at any time by the favorable vote of at least three-fifths of the members of each house of the Legislature.

When the balance in the Budget Stabilization Account, including investment earnings, equals more than 10 percent of the estimated general state revenues in that fiscal year, the Legislature by the favorable vote of a majority of the members elected to each house of the Legislature may withdraw and appropriate the balance to the extent that the balance exceeds 10 percent of the estimated general state revenues. These appropriations may be made solely for deposit to the Education Construction Fund.

At June 30, 2018, the Budget Stabilization Account had restricted fund balance of $1.37 billion.

Note 10
Deficit Net Position

Data Processing Revolving Fund

The Data Processing Revolving Fund, an internal service fund, had a deficit net position of $102.3 million at June 30, 2018. The Data Processing Revolving Fund is primarily used to account for and report activities such as data processing and communication services to other state agencies.

The Data Processing Revolving Fund is supported by user charges. Due to budgetary considerations, user rates are designed to cover cash outflows including debt service as opposed to the full cost of services which includes depreciation. Since the Data Processing Revolving Fund reports a debt-financed building, this funding approach has an impact on net position. Debt service allocates principal retirement on a straight-line basis. Depreciation on the fund's building is componentized, which accelerates expense in the early years of the building's life. As a result, the fund reports both an operating loss and a negative net investment in capital assets.

The following schedule details the change in net position for the Data Processing Revolving Fund during the fiscal year ended June 30, 2018 (expressed in thousands):

Data Processing Revolving Fund		Net Position
Balance, July 1, 2017, as restated	$	(111,515)
Fiscal year 2018 activity		9,253
Balance, June 30, 2018	$	(102,262)

Risk Management Fund

The Risk Management Fund, an internal service fund, had a deficit net position of $646.8 million at June 30, 2018. The Risk Management Fund is used to administer the Self-Insurance Liability Program (SILP). The SILP was initiated in 1990 and is intended to provide funds for the payment of all tort claims and defense expenses. The program investigates, processes, and adjudicates tort and sundry claims filed against Washington state agencies, with the exception of the University of Washington and the Department of Transportation Ferries Division.

The Risk Management Fund is supported by premium assessments to state agencies. The state is restricted by law from accumulating funds in the SILP in excess of 50 percent of total outstanding and actuarially determined claims. As a consequence, when outstanding and incurred but not reported claims are actuarially determined and accrued, the result is a deficit net position.

The following schedule details the change in net position for the Risk Management Fund during the fiscal year ended June 30, 2018 (expressed in thousands):

Risk Management Fund		Net Position
Balance, July 1, 2017, as restated	$	(603,701)
Fiscal year 2018 activity		(43,125)
Balance, June 30, 2018	$	(646,826)

Note 11
Retirement Plans

A. GENERAL

Washington's pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

In accordance with Statement No. 68, the state has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems. Additionally, the state Legislature authorizes state agency participation in plans other than those administered by the state.

Basis of Accounting. Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of all plans, and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans for the state as an employer, for fiscal year 2018 (expressed in thousands):

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	4,560,252
Pension assets	$	(1,879,613)
Deferred outflows of resources on pensions	$	1,101,529
Deferred inflows of resources on pensions	$	1,112,284
Pension expense/expenditures	$	190,935

Investments. The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes.

Further information about the investment of pension funds by the WSIB, their valuation, classifications, concentrations, and maturities can be found in Note 3.B.

Department of Retirement Systems. As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.

The DRS administered systems are comprised of 12 defined benefit pension plans and 3 defined benefit/defined contribution plans as follows:

- Public Employees' Retirement System (PERS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution

- Teachers' Retirement System (TRS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution

- School Employees' Retirement System (SERS)
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution

- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit

- Public Safety Employees' Retirement System (PSERS)
  - Plan 2 - defined benefit

- Washington State Patrol Retirement System (WSPRS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit

- Judicial Retirement System (JRS)
  - Defined benefit plan

- Judges' Retirement Fund (Judges)
  - Defined benefit plan

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS, TRS, SERS, LEOFF, PSERS, and WSPRS systems and plans is funded by an employer rate of 0.18 percent of employee salaries. Administration of the JRS and Judges plans is funded by means of legislative appropriations.

Pursuant to RCW 41.50.770, the state offers its employees and employees of political subdivisions that elect to participate a deferred compensation program in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable financial emergency. This deferred compensation plan is administered by the DRS.

The DRS prepares a stand-alone financial report that is compliant with the requirements of GASB Statement No. 67. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, WA 98504-8380 or online at http://www.drs.wa.gov/administration/annual-report.

State Board for Volunteer Fire Fighters and Reserve Officers. As established in chapter 41.24 RCW, the State Board for Volunteer Fire Fighters and Reserve Officers administers the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF), a defined benefit plan. Administration of VFFRPF is funded through legislative appropriation.

Administrative Office of the Courts. As established in chapter 2.14 RCW, the Administrative Office of the Courts administers the Judicial Retirement Account (JRA), a defined contribution plan. Administration of JRA is funded through member fees.

Higher Education. As established in chapter 28B.10 RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (funded on a pay-as-you-go basis) which is administered by the state.

The state has elected to use the current fiscal year end as the measurement date for reporting net pension liabilities for the Higher Education Supplemental Retirement Plan.

B. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

1. DRS Plans - Employer Disclosures

The state is not an employer in SERS Plan 2/3 nor LEOFF Plan 1.

Public Employees' Retirement System

Plan Description. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme Court, Court of Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Refer to Note 11.E for a description of the defined contribution component of PERS Plan 3.

Benefits Provided. PERS plans provide retirement, disability, and death benefits to eligible members.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.

PERS Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months. PERS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44. PERS Plan 3 members have the option to retire early with reduced benefits.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

The Judicial Benefit Multiplier (JBM) Program began January 1, 2007. This program gave eligible justices and judges an option to increase the benefit multiplier used in their retirement benefit calculation for their judicial service periods of employment. Beginning January 1, 2007, any justice or judge who was in a judicial position at that time could choose to join JBM. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership they will be enrolled as a member of both PERS Plan 2 and JBM.

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS JBM members and employers pay increased contributions that, along with investment earnings, fund the increased retirement benefits of those justices and judges who participate in the program.

Required contribution rates for fiscal year 2018 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 2017, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary (OSA) applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The Office of the State Actuary (OSA) selected a 7.50 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2015 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.9%
Real Estate	15%	5.8%
Global Equity	37%	6.3%
Private Equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2018, the state reported $1.99 billion for its proportionate share of the collective net pension liability for PERS Plan 1 and $1.74 billion for PERS Plan 2/3. The state's proportion for PERS Plan 1 was 41.88 percent, a decrease of 0.11 percent since the prior reporting period, and 50.20 percent for PERS Plan 2/3, an increase of 0.48 percent. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate (expressed in thousands):

PERS Plan 1 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	2,420,873
Current Discount Rate	$	1,987,268
1% Increase	$	1,611,674

PERS Plan 2/3 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	4,698,698
Current Discount Rate	$	1,744,067
1% Increase	$	(676,816)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state recognized a PERS Plan 1 pension expense of $118.1 million, and recognized a PERS Plan 2/3 pension expense of $258.8 million. At June 30, 2018, PERS Plan 1 and PERS Plan 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	74,159
Change in proportion	—	—
State contributions subsequent to the measurement date	283,181	—
Total	$ 283,181	$ 74,159

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 176,715	$ 57,359
Changes of assumptions	18,525	—
Net difference between projected and actual earnings on pension plan investments	—	464,926
Change in proportion	33,878	2,190
State contributions subsequent to the measurement date	392,487	—
Total	$ 621,605	$ 524,475

For PERS Plan 1, $283.2 million, and for PERS Plan 2/3, $392.5 million, reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

PERS Plan 1		
2019	$	(50,127)
2020	$	15,826
2021	$	(3,675)
2022	$	(36,183)
2023	$	—
Thereafter	$	—

PERS Plan 2/3		
2019	$	(175,010)
2020	$	57,729
2021	$	(36,415)
2022	$	(184,209)
2023	$	18,499
Thereafter	$	24,049

Teachers' Retirement System

Plan Description. The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

TRS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

TRS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996, are members of TRS Plan 3.

Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

Refer to Note 11.E for a description of the defined contribution component of TRS Plan 3.

Benefits Provided. TRS plans provide retirement, disability, and death benefits to eligible members.

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

TRS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44.

TRS Plan 3 members have the option to retire early with reduced benefits.

TRS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

The Judicial Benefit Multiplier (JBM) Program began January 1, 2007. This program gave eligible justices and judges an option to increase the benefit multiplier used in their retirement benefit calculation for their judicial service periods of employment. Beginning January 1, 2007, any justice or judge who was in a judicial position at that time could choose to join JBM. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership they will be enrolled as a member of both PERS Plan 2 and JBM.

Contributions. TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

Members in TRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from TRS-covered employment.

TRS JBM members and employers pay increased contributions that, along with investment earnings, fund the increased retirement benefits of those justices and judges who participate in the program.

Required contribution rates for fiscal year 2018 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 2017, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The Office of the State Actuary (OSA) selected a 7.50 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2015 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.9%
Real Estate	15%	5.8%
Global Equity	37%	6.3%
Private Equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2018, the state reported a liability of $31.2 million for its proportionate share of the collective net pension liability for TRS Plan 1 and $8.9 million for TRS Plan 2/3. The state's proportion for TRS Plan 1 was 1.03 percent, an increase of 0.06 percent since the prior reporting period, and 0.96 percent for TRS Plan 2/3, an increase of 0.09 percent. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate (expressed in thousands):

TRS Plan 1 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	38,762
Current Discount Rate	$	31,172
1% Increase	$	24,603

TRS Plan 2/3 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	30,136
Current Discount Rate	$	8,873
1% Increase	$	(8,396)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state recognized a TRS Plan 1 pension expense of $4.1 million, and recognized a TRS Plan 2/3 pension expense of $4.1 million. At June 30, 2018, TRS Plan 1 and TRS Plan 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

TRS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	1,321
Change in proportion	—	—
State contributions subsequent to the measurement date	4,633	—
Total	$ 4,633	$ 1,321

TRS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,213	$ 453
Changes of assumptions	105	—
Net difference between projected and actual earnings on pension plan investments	—	3,211
Change in proportion	2,992	—
State contributions subsequent to the measurement date	4,717	—
Total	$ 10,027	$ 3,664

For TRS Plan 1, $4.6 million, and for TRS Plan 2/3, $4.7 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

TRS Plan 1		
2019	$	(970)
2020	$	363
2021	$	(32)
2022	$	(682)
2023	$	—
Thereafter	$	—

TRS Plan 2/3		
2019	$	(317)
2020	$	1,341
2021	$	338
2022	$	(1,045)
2023	$	277
Thereafter	$	1,052

Law Enforcement Officers' and Fire Fighters' Retirement System

Plan Description. The Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 by the Legislature. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, fire fighters, and as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included effective July 27, 2003, being an exception.

LEOFF is a cost-sharing, multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

Benefits Provided. LEOFF plans provide retirement, disability, and death benefits to eligible members.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Years of Service	Percent of FAS
20+	2.0%
10-19	1.5%
5-9	1.0%

A cost of living allowance (COLA) is granted based on the Consumer Price Index.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service. FAS is based on the highest consecutive 60 months. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

LEOFF members have the option to retire early with reduced benefits.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations.

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees are not required to contribute as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The methods used to determine contribution requirements are established under state statute.

Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. For fiscal year 2017, the state contributed $62.2 million to LEOFF Plan 2.

Beginning in 2011, when state General Fund revenues increase by at least 5 percent over the prior biennium's revenues, the State Treasurer will transfer, subject to legislative appropriation, specific amounts into a Local Public Safety Enhancement Account. Half of this transfer will be proportionately distributed to all jurisdictions with LEOFF Plan 2 members. The other half will be transferred to a LEOFF Retirement System Benefits Improvement Account to fund benefit enhancements for LEOFF Plan 2 members. However, this special funding situation is not mandated by the State Constitution and this funding requirement could be returned to the employers by a change of statute.

Required contribution rates for fiscal year 2018 are presented in the table in Note 11.B.3.

The state is not an employer for LEOFF Plan 1; however, the state is a nonemployer contributing entity for LEOFF Plan 1. For LEOFF Plan 2 the state is both an employer and a nonemployer contributing entity. Refer to Note 11.B.2 for nonemployer contributing entity disclosures.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 2017, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The Office of the State Actuary (OSA) selected a 7.50 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by WSIB. Refer to the 2015 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.9%
Real Estate	15%	5.8%
Global Equity	37%	6.3%
Private Equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2018, the state reported an asset of $11.8 million for its proportionate share of the collective net pension asset for LEOFF Plan 2. The state's proportion for LEOFF Plan 2 was 0.85 percent, a decrease of 0.03 percent since the prior reporting period. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers and the nonemployer contributing entity.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.50 percent as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate (expressed in thousands):

LEOFF Plan 2 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	2,558
Current Discount Rate	$	(11,823)
1% Increase	$	(23,540)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state recognized a LEOFF Plan 2 pension expense of $(466) thousand. At June 30, 2018, LEOFF Plan 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 520	$ 448
Changes of assumptions	14	—
Net difference between projected and actual earnings on pension plan investments	—	2,655
Change in proportion	65	19
State contributions subsequent to the measurement date	1,486	—
Total	$ 2,085	$ 3,122

For LEOFF Plan 2, $1.5 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

LEOFF Plan 2		
2019	$	(1,219)
2020	$	277
2021	$	(183)
2022	$	(1,150)
2023	$	(44)
Thereafter	$	(204)

Public Safety Employees' Retirement System

Plan Description. The Public Safety Employees' Retirement System (PSERS) was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions are established in chapter 41.37 RCW and may be amended only by the Legislature. PSERS membership includes full-time employees meeting specific eligibility criteria that are employed by Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor and Cannabis Board, Parks and Recreation Commission, Washington State Patrol, Washington state counties, corrections departments of Washington state cities except for Seattle, Tacoma, and Spokane, or correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS is a cost-sharing, multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

Benefits Provided. PSERS provides retirement, disability, and death benefits to eligible members.

PSERS members are vested after an employee completes five years of eligible service. PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service, or at age 53 with 20 years of service. A cost of living allowance (COLA) is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PSERS members have the option to retire early with reduced benefits.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary (OSA) to fully fund Plan 2. The methods used to determine contribution requirements are established under state statute.

Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

Required contribution rates for fiscal year 2018 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 2017, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The OSA selected a 7.50 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2015 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.9%
Real Estate	15%	5.8%
Global Equity	37%	6.3%
Private Equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2018, the state reported a liability of $9.6 million for its proportionate share of the collective net pension asset for PSERS Plan 2. The state's proportion for PSERS Plan 2 was 49.14 percent, an increase of 1.17 percent since the prior reporting period. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate (expressed in thousands):

PSERS Plan 2 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	64,646
Current Discount Rate	$	9,628
1% Increase	$	(33,510)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state recognized a PSERS Plan 2 pension expense of $13.3 million. At June 30, 2018, PSERS Plan 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

PSERS Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 5,694	$ 684
Changes of assumptions	82	—
Net difference between projected and actual earnings on pension plan investments	—	6,753
Change in proportion	216	13
State contributions subsequent to the measurement date	13,140	—
Total	$ 19,132	$ 7,450

For PSERS Plan 2, $13.1 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

PSERS Plan 2		
2019	$	(1,408)
2020	$	1,245
2021	$	367
2022	$	(1,380)
2023	$	(19)
Thereafter	$	(263)

Washington State Patrol Retirement System

Plan Description. The Washington State Patrol Retirement System (WSPRS) was established by the Legislature in 1947. WSPRS benefits are established in chapter 43.43 RCW and may be amended only by the Legislature. Any commissioned employee of the Washington State Patrol is eligible to participate.

WSPRS is a single-employer, defined benefit retirement system. WSPRS members who joined the system by December 31, 2002, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after January 1, 2003, are Plan 2 members. For financial reporting and investment purposes, however, both plans are accounted for in the same pension fund.

Effective June 7, 2012, those WSPRS members who have service credit within PERS Plan 2 have options to transfer their service credit earned as commercial vehicle enforcement officers or as communications officers into the WSPRS, provided the member pays the full actuarial cost of the transfer.

At retirement, these members also have the option of selecting an actuarially reduced benefit in order to provide for post-retirement survivor benefits.

For membership information refer to the table presented in Note 11.B.3.

Benefits Provided. WSPRS plans provide retirement, disability, and death benefits to eligible members.

There is no vesting requirement for active WSPRS members. Inactive WSPRS members are vested after the completion of five years of eligible service. Active members are eligible for retirement at the age of 55 with no minimum required service credit, or at any age with 25 years of service credit, and must retire at age 65. This mandatory requirement does not apply to the Chief of the Washington State Patrol.

The monthly benefit is 2 percent of the average final salary (AFS) per year of service, capped at 75 percent. A cost of living allowance is granted based on the Consumer Price Index, capped at 3 percent annually.

WSPRS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. WSPRS retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts the employee and state contribution rates, subject to revision by the Legislature. The preliminary employee and state contribution rates are developed by the Office of the State Actuary to fully fund the plan. The methods used to determine contribution requirements are established under state statute.

Members in WSPRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from WSPRS-covered employment.

Required contribution rates for fiscal year 2018 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 2017, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The Office of the State Actuary (OSA) selected a 7.50 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2015 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.9%
Real Estate	15%	5.8%
Global Equity	37%	6.3%
Private Equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Refer to the table in Note 11.B.3 for the change in net pension liability.

Net Pension Liability/(Asset). At June 30, 2018, the state reported a net pension liability of $58.3 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate (expressed in thousands):

WSPRS Plan 1/2 Net Pension Liability/(Asset)		
1% Decrease	$	239,856
Current Discount Rate	$	58,270
1% Increase	$	(89,098)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state recognized a WSPRS pension expense of $12.3 million. At June 30, 2018, the WSPRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

WSPRS Plan 1/2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 20,499	$ 4,295
Changes of assumptions	16,977	—
Net difference between projected and actual earnings on pension plan investments	—	30,624
Change in proportion	—	—
State contributions subsequent to the measurement date	14,203	—
Total	$ 51,679	$ 34,919

For WSPRS 1/2, $14.2 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

WSPRS Plan 1/2		
2019	$	(10,973)
2020	$	10,884
2021	$	5,715
2022	$	(5,595)
2023	$	2,526
Thereafter	$	—

Judges' Retirement Fund

Plan Description. The Judges' Retirement Fund was created by the Legislature on March 22, 1937, to provide retirement benefits to judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts of the state of Washington. Judges' retirement benefit provisions are established in chapter 2.12 RCW and may be amended only by the Legislature.

The Judges' Retirement Fund is a single-employer, defined benefit retirement system. There are currently no active members in this plan. For membership information refer to the table presented in Note 11.B.3.

Benefits Provided. The Judges' Retirement Fund provides disability and retirement benefits to judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts of the state of Washington. The system was closed to new entrants on August 8, 1971, with new judges joining the Judicial Retirement System.

Members are eligible to receive a full retirement allowance at age 70 with 10 years of credited service, or at any age with 18 years of credited service. Members are eligible to receive a partial retirement allowance after 12 years of credited service as a judge.

Contributions. There are no active members remaining in the Judges' Retirement Fund. Past contributions were made based on rates set in statute. By statute, employees were required to contribute 6.5 percent of covered payroll with an equal amount contributed by the state.

Retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings and employer contributions. Each biennium, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2017, no such appropriations or contributions were made.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 2017, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	3.58%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount Rate. Contributions are made to the Judges' Retirement Fund to ensure cash is available to make benefit payments. Since this plan is operated on a pay-as-you-go basis, the discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.58 percent for the June 30, 2017, measurement date.

Refer to the table in Note 11.B.3 for the change in net pension liability.

Net Pension Liability/(Asset). At June 30, 2018, the state reported a net pension liability of $2.2 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 3.58 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate (expressed in thousands):

Judges' Net Pension Liability/(Asset)		
1% Decrease	$	2,273
Current Discount Rate	$	2,165
1% Increase	$	2,063

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state recognized a Judges' Retirement Fund pension expense of $149 thousand. At June 30, 2018, the Judges'

Retirement Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

Judges'	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	38	—
Change in proportion	—	—
State contributions subsequent to the measurement date	500	—
Total	$ 538	$ —

For the Judges' Retirement Fund, $500 thousand reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

Judges'		
2019	$	18
2020	$	10
2021	$	6
2022	$	4
2023	$	—
Thereafter	$	—

Judicial Retirement System

Plan Description. The Judicial Retirement System (JRS) was established by the Legislature in 1971. JRS retirement benefit provisions are established in chapter 2.10 RCW and may be amended only by the Legislature. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts on or after August 9, 1971.

JRS is a single-employer, defined benefit retirement system. There are no active members remaining in the Judicial Retirement System. For membership information refer to the table presented in Note 11.B.3.

Benefits Provided. JRS provides retirement, disability, and death benefits to eligible members.

JRS members are eligible for retirement at the age of 60 with 15 years of service, or at the age of 60 after 12 years of service (if the member left office involuntarily) with at least 15 years after beginning judicial service. The system was closed to new entrants on July 1, 1988, with new judges joining PERS.

The benefit per year of service calculated as a percent of final average salary (FAS) is shown in the table below. This benefit is capped at 75 percent of FAS, exclusive of cost-of-living increases.

Years of Service	Percent of FAS
15+	3.5%
10-14	3.0%

Contributions. JRS retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings, employer contributions, and employee contributions.

Past contributions were made based on rates set in statute. By statute, employees were required to contribute 7.5 percent of covered payroll with an equal amount contributed by the state. JRS member contributions to the plan are not refundable.

The state guarantees the solvency of JRS on a pay-as-you-go basis. Each biennium, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2017, the state contributed $9.3 million.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 2017, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	3.58%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount Rate. Contributions are made to JRS to ensure cash is available to make benefit payments. Since this plan is operated on a pay-as-you-go basis, the discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.58 percent for the June 30, 2017, measurement date.

Refer to the table in Note 11.B.3 for the change in net pension liability.

Net Pension Liability/(Asset). At June 30, 2018, the state reported a net pension liability of $86.1 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 3.58 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate (expressed in thousands):

JRS Net Pension Liability/(Asset)		
1% Decrease	$	94,558
Current Discount Rate	$	86,114
1% Increase	$	78,840

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state recognized a JRS pension expense of $(2.5) million. At June 30, 2018, JRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

JRS		Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between expected and actual experience	$	—	$	—
Changes of assumptions		—		—
Net difference between projected and actual earnings on pension plan investments		335		—
Change in proportion		—		—
State contributions subsequent to the measurement date		8,700		—
Total	$	9,035	$	—

For JRS, $8.7 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

JRS		
2019	$	130
2020	$	99
2021	$	64
2022	$	42
2023	$	—
Thereafter	$	—

2. DRS Plans - Nonemployer Contributing Entity Disclosures

For fiscal year 2018, the state was considered a nonemployer contributing entity in special funding situations for two DRS-administered pension plans, LEOFF Plan 1 and LEOFF Plan 2. State contributions are required by statute to be made directly to these plans to fund pensions. Note 11.B.1 provides the detailed descriptions of these plans, their benefit terms, contribution requirements, significant assumptions used to measure pension liability and mortality, and the discount rate.

Basis for Nonemployer Contributing Entity Contributions. LEOFF Plan 1 has a net pension asset as of the June 30, 2017, measurement date. If needed, RCW 41.26.080 would require employer and employee contributions of 6 percent, and the remaining liabilities funded by the state pursuant to chapter 41.45 RCW. For fiscal year 2017, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 87.12 percent based on historical contributions to the plan.

LEOFF Plan 2 has a net pension asset as of the June 30, 2017, measurement date. In this plan, the state is an employer and a nonemployer contributing entity. RCW 41.26.725 limits the employee contributions to 50 percent, employer contributions to 30 percent, and the state contribution to 20 percent of the cost of benefits. In no instance shall the state contribution exceed 4 percent of payroll. For fiscal year 2017, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 39.35 percent based on total plan contributions received in fiscal year 2017.

Collective Net Pension Liability/(Asset). At June 30, 2018, the state as a nonemployer contributing entity reported a net pension asset of $1.32 billion and $546.0 million for its proportionate share of the collective net pension asset for LEOFF Plan 1 and LEOFF Plan 2, respectively. The nonemployer contributing entity's proportion for LEOFF Plan 1 was 87.12 percent, the same as the prior reporting period, and 39.35 percent for LEOFF Plan 2, a decrease of 0.11 percent. The proportion of the state nonemployer contributions related to LEOFF Plan 1 was based on historical contributions from the state and employers plus fiscal year 2017 retirement benefit payments. The proportion of the state nonemployer contributions related to LEOFF Plan 2 was based on the state's contributions to the pension plan relative to the total state contributions and all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the nonemployer contributing entity calculated using the discount rate of 7.50 percent, as well as what the nonemployer contributing entity's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate (expressed in thousands):

LEOFF Plan 1 Nonemployer contributing entity proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	(980,467)
Current Discount Rate	$	(1,321,802)
1% Increase	$	(1,614,931)

LEOFF Plan 2 Nonemployer contributing entity proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	118,151
Current Discount Rate	$	(545,988)
1% Increase	$	(1,087,100)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state as a nonemployer contributing entity recognized $(210.2) million pension expense for LEOFF Plan 1 and $(21.5) million pension expense for LEOFF Plan 2.

At June 30, 2018, the state as a nonemployer contributing entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

LEOFF Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	122,826
Change in proportion	—	—
State contributions subsequent to the measurement date	1	—
Total	$ 1	$ 122,826

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 23,997	$ 20,705
Changes of assumptions	658	—
Net difference between projected and actual earnings on pension plan investments	—	122,578
Change in proportion and difference between state contributions and proportionate share of contributions	2,989	875
State contributions subsequent to the measurement date	68,647	—
Total	$ 96,291	$ 144,158

For LEOFF Plan 1, $1 thousand, and for LEOFF Plan 2, $68.6 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

LEOFF Plan 1		
2019	$	(77,084)
2020	$	20,789
2021	$	(8,301)
2022	$	(58,230)
2023	$	—
Thereafter	$	—

LEOFF Plan 2		
2019	$	(56,286)
2020	$	12,779
2021	$	(8,464)
2022	$	(53,124)
2023	$	(2,039)
Thereafter	$	(9,380)

3. Tables for Plans Administered by the Department of Retirement Services

TABLE 1: Single Employer Plan Membership

Membership of the single employer plans administered by the Department of Retirement Systems consisted of the following at June 30, 2016, the date of the latest actuarial valuation for all plans:

Number of Participating Members				
Plans	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
WSPRS 1	1,114	73	446	1,633
WSPRS 2	—	33	546	579
JRS	99	—	—	99
Judges	11	—	—	11
Total	1,224	106	992	2,322

TABLE 2: Change in Net Pension Liability/(Asset)

The following table presents the change in net pension liability/(asset) of the single employer plans administered by the Department of Retirement Systems at June 30, 2016, the date of the latest actuarial valuation for all plans, with the results rolled forward to the June 30, 2017, measurement date (expressed in thousands):

Change in Net Pension Liability/(Asset)	WSPRS	JRS	Judges
TOTAL PENSION LIABILITY			
Service cost	$ 18,474	$ —	$ —
Interest	90,560	2,874	88
Changes of benefit terms	4,830	—	—
Differences between expected and actual experience	23,702	1,047	194
Changes of assumptions	20,921	(6,329)	(129)
Benefit payments, including refunds of member contributions	(56,821)	(8,723)	(402)
Net Change in Total Pension Liability	101,666	(11,131)	(249)
Total Pension Liability--Beginning	1,167,443	104,642	3,097
Total Pension Liability --Ending (a)	$ 1,269,109	$ 93,511	$ 2,848
PLAN FIDUCIARY NET POSITION			
Contributions--employer	$ 7,587	$ 9,300	$ 499
Contributions--employee	10,454	—	—
Net investment income	151,021	45	4
Benefit payments, including refunds of member contributions	(56,821)	(8,723)	(402)
Administrative expense	(53)	—	—
Other	524	—	—
Net Change in Plan Fiduciary Net Position	112,712	622	101
Plan Fiduciary Net Position--Beginning	1,098,127	6,775	582
Plan Fiduciary Net Position--Ending (b)	$ 1,210,839	$ 7,397	$ 683
Plan's Net Pension Liability (Asset)--Beginning	$ 69,316	$ 97,867	$ 2,515
Plan's Net Pension Liability (Asset)--Ending (a) - (b)	$ 58,270	$ 86,114	$ 2,165

TABLE 3: Required Contribution Rates

Required contribution rates (expressed as a percentage of current year covered payroll) for all retirement plans administered by the Department of Retirement Systems at the close of fiscal year 2018 were as follows:

Required Contribution Rates	Employer				Employee		
	Plan 1	Plan 2	Plan 3		Plan 1	Plan 2	Plan 3
PERS							
Employees Not Participating in JBM							
State agencies, local governmental units	7.49%	7.49%	7.49%		6.00%	7.38%	**
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	5.03%	5.03%	5.03%				
Total	12.70%	12.70%	12.70%	*			
State govt elected officials	13.75%	7.49%	7.49%		7.50%	7.38%	**
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	5.03%	5.03%	5.03%				
Total	18.96%	12.70%	12.70%	*			
Employees Participating in JBM							
State agencies	9.99%	9.99%	9.99%		9.76%	15.95%	7.50%***
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	5.03%	5.03%	5.03%				
Total	15.20%	15.20%	15.20%	*			
Local governmental units	7.49%	7.49%	7.49%		12.26%	18.45%	7.50%***
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	5.03%	5.03%	5.03%				
Total	12.70%	12.70%	12.70%	*			
TRS							
Employees Not Participating in JBM							
State agencies, local governmental units	7.83%	7.83%	7.83%		6.00%	7.06%	**
Administrative fee	0.18%	0.18%	0.18%				
TRS Plan 1 UAAL	7.19%	7.19%	7.19%				
Total	15.20%	15.20%	15.20%	*			
State govt elected officials	7.83%	7.83%	7.83%		7.50%	7.06%	**
Administrative fee	0.18%	0.18%	0.18%				
TRS Plan 1 UAAL	7.19%	7.19%	7.19%				
Total	15.20%	15.20%	15.20%	*			
Employees Participating in JBM							
State agencies	7.83%	N/A	N/A		9.76%	N/A	N/A
Administrative fee	0.18%	N/A	N/A				
TRS Plan 1 UAAL	7.19%	N/A	N/A				
Total	15.20%						
LEOFF							
Ports and universities	N/A	8.75%	N/A		N/A	8.75%	N/A
Administrative fee	N/A	0.18%	N/A				
Total		8.93%					
Local governmental units	N/A	5.25%	N/A		N/A	8.75%	N/A
Administrative fee	0.18%	0.18%	N/A				
Total	0.18%	5.43%					
State of Washington	N/A	3.50%	N/A		N/A	N/A	N/A
WSPRS							
State agencies	13.15%	13.15%	N/A		0.0768	0.0768	N/A
Administrative fee	0.18%	0.18%	N/A				
Total	13.33%	13.33%					
PSERS							
State agencies, local governmental units	N/A	6.74%	N/A		N/A	6.74%	N/A
Administrative fee	N/A	0.18%	N/A				
PSERS Plan 1 UAAL	N/A	5.03%	N/A				
Total		11.95%					

* Plan 3 defined benefit portion only.

** Variable from 5% to 15% based on rate selected by the member.

*** Minimum rate.

N/A indicates data not applicable.

C. PLAN ADMINISTERED BY THE STATE BOARD FOR VOLUNTEER FIRE FIGHTERS' AND RESERVE OFFICERS

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Plan Description. The Volunteer Fire Fighters' Relief Act was created by the Legislature in 1935, and the pension portion of the act was added in 1945. As established in chapter 41.24 RCW, the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) is a cost-sharing, multiple-employer defined benefit plan and is administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The board is appointed by the Governor and is comprised of five members of fire departments covered by chapter 41.24 RCW. Administration costs of the VFFRPF are funded through legislative appropriation.

As of June 30, 2018, there were approximately 450 municipalities contributing to the plan. Additionally, the state, a nonemployer contributing entity, contributes 40 percent of the fire insurance premium tax.

Plan Members. Membership in the VFFRPF requires volunteer firefighter service with a fire department of an electing municipality of Washington state, emergency work as an emergency medical technician with an emergency medical service district, or work as a commissioned reserve law enforcement officer.

At June 30, 2017 (the date of the latest valuation), VFFRPF membership consisted of the following:

Plan Membership	
Inactive plan members or beneficiaries currently receiving benefits	4,446
Inactive plan members entitled to but not yet receiving benefits	6,120
Active plan members	9,223
Total membership	19,789

Benefits Provided. VFFRPF provides retirement, disability, and death benefits to eligible members. Benefits are established in chapter 41.24 RCW which may be amended only by the Legislature.

Since retirement benefits cover volunteer service, benefits are paid based on years of service, not salary. Municipalities consist of fire departments, emergency medical service districts, and law enforcement agencies. After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of $50 plus $10 per year of service. The maximum monthly benefit is $300. Reduced pensions are available for members under the age of 65 or with less than 25 years of service.

Members are vested after ten years of service. VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination.

Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of $214 thousand. Funeral and burial expenses are also paid in a lump sum of $2 thousand for members on active duty. Members receiving disability benefits at the time of death shall be paid $500.

Effective June 7, 2012, at any time prior to retirement or at the time of retirement, a member of the VFFRPF may purchase retirement pension coverage for years of eligible service prior to the member's enrollment in the system or for years of service credit lost due to the withdrawal of the member's pension fee contributions. A member choosing to purchase such retirement pension coverage must contribute to the system and amount equal to the actuarial value of the resulting benefit increase.

There were no material changes in VFFRPF benefit provisions for the fiscal year ended June 30, 2017.

Contributions. VFFRPF retirement benefits are financed from a combination of investment earnings, member contributions, municipality contributions, and state contributions. In accordance with chapter 41.24 RCW, the state contribution is set at 40 percent of the fire insurance premium tax. The state is considered a nonemployer contributing entity; however, this is not considered a special funding situation. For fiscal year 2018, the fire insurance premium tax contribution was $7.2 million.

The municipality rate for emergency medical service districts (EMSD) and law enforcement agencies is set each year by the State Board for Volunteer Fire Fighters and Reserve Officers, based on the actual cost of participation as determined by the Office of the State Actuary (OSA). All other contribution rates are set by the Legislature. Municipalities may opt to pay the member's fee on their behalf.

The contribution rates set for 2018 were the following:

	Firefighters	EMSD & Reserve Officers
Member fee	$ 30	$ 30
Municipality fee	30	105
Total fee	$ 60	$ 135

Investments. The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Further information about the investment of pension funds by the WSIB, their valuation, classifications, concentrations, and maturities can be found in Note 3.B.

The Office of the State Treasurer (OST) manages a small portion of the assets for the VFFRPF. By statute, balances in the accounts in the state treasury and in the custody of the treasurer may be pooled for banking and investment purposes.

The overall objective of the OST investment policy is to construct, from eligible investments noted below, an investment portfolio that is optimal or efficient. An optimal or efficient portfolio is one that provides the greatest expected return for a given expected level of risk, or the lowest expected risk for a given expected return. Eligible investments are only those securities and deposits authorized by statute.

Further information about the investment of pension funds by the OST, their valuation, classifications, concentrations, and maturities can be found in Note 3.F.

Rate of Return. For the year ended June 30, 2018, the annual money-weighted rate of return on VFFRPF investments, net of pension plan investment expense, was 8.84 percent. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

Pension Liability/(Asset). The components of the net pension liability of the participating VFFRPF municipalities at June 30, 2018, were as follows (dollars expressed in thousands):

Pension Liability	
Total pension liability	$ 192,440
Plan fiduciary net position	245,284
Participating municipality net pension liability/(asset)	$ (52,844)
Plan fiduciary net position as a percentage of the total pension liability	127.46%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016, and rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.5%
Salary increases	N/A
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

The Office of the State Actuary (OSA) selected a 7.40 percent long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the WSIB.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The WSIB's CMAs contain three pieces of information for each class of asset the WSIB currently invests in.

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between annual returns of each asset class with every other asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	7.00%	4.90%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
Total	100.00%	

The inflation component used to create the above table is 2.20 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

For additional information and background on OSA's development of the long-term rate of return assumptions, refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website. The selection of this assumption and economic experience studies are further detailed in the Actuarial Certification Letter.

In consultation with OST, OSA selected a 3.50 percent long-term investment rate of return on assets managed by OST. Based upon the investment portfolio, this assumption was calculated as 100 basis points above OSA's current inflation assumption of 2.50 percent for the United States National Comsumer Price Index.

As the VFFRPF has assets managed by both WSIB and OST, the long-term expected rate of return of 7.00 percent represents an approximate weighted-average of the assets managed by WSIB (7.40 percent expected return) and the assets managed by OST (3.50 percent expected return).

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.00 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.00 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members, municipalities, and the state will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00 percent on plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the municipalities calculated using the discount rate of 7.00 percent, as well as what the municipalities' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate (expressed in thousands):

Municipalities' Net Pension Liability/(Asset)		
1% Decrease	$	(30,034)
Current Discount Rate	$	(52,844)
1% Increase	$	(73,191)

D. HIGHER EDUCATION RETIREMENT PLAN SUPPLEMENTAL DEFINED BENEFIT PLANS

Plan Description. The Higher Education Retirement Plans are privately administered single-employer defined contribution plans with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. State institutions of higher education make direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals. No assets are accumulated in trusts or equivalent arrangements.

The state and regional universities, the state college, the state community and technical colleges, and the Student Achievement Council each participate in a separate plan. As authorized by chapter 28B.10 RCW, the plans cover faculty and other positions as designated by each participating employer.

RCW 28B.10.400, et. seq. assigns the authority to establish and amend benefit provisions to the board of regents of the state universities, the boards of trustees of the regional universities and the state college, the state board for community and technical colleges, and the Student Achievement Council.

The Higher Education Defined Contribution Retirement Plans are described in Note 11.E.

Benefits Provided. The Higher Education Supplemental Retirement Plans provide retirement, disability, and death benefits to eligible members.

As of July 1, 2011, all Higher Education Supplemental Retirement Plans were closed to new entrants.

Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The supplemental benefit is a lifetime benefit equal to the amount a member's goal income exceeds their assumed income. The monthly goal income is one-twelfth of 2 percent of the member's average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of fifty percent of the member's average annual salary). The member's assumed income is an annuity benefit the retired member would receive from their defined contribution Retirement Plan benefit in the first month of retirement had they invested all employer and member contributions equally between a fixed income and variable income annuity investment.

Plan members have the option to retire early with reduced benefits.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.50%-4.25%
Fixed Income and Variable Income Investment Returns*	4.25%-6.25%

**Measurement reflects actual investment returns through June 30, 2018*

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Most actuarial assumptions used in the June 30, 2016, valuation were based on the results of the April 2016 Supplemental Plan Experience Study. Additional assumptions related to the fixed income and variable income investments were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

Material assumption changes during the measurement period include the discount rate increase from 3.58 percent to 3.87 percent.

Discount Rate. The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.87 percent for the June 30, 2018, measurement date.

Pension Expense. For the year ended June 30, 2018, the Higher Education Supplemental Retirement Plans reported the following for pension expense (expressed in thousands):

Pension Expense	
Plans	
University of Washington (UW)	$ 11,518
Washington State University (WSU)	1,257
Eastern Washington University (EWU)	842
Central Washington University (CWU)	(619)
The Evergreen State College (TESC)	70
Western Washington University (WWU)	67
State Board for Community and Technical Colleges (SBCTC)	1,483
Total	**$ 14,618**

Plan Membership. Membership of the Higher Education Supplemental Retirement Plans consisted of the following at June 30, 2016, the date of the latest actuarial valuation for all plans:

Number of Participating Members				
Plans	**Inactive Members (Or Beneficiaries) Currently Receiving Benefits**	**Inactive Members Entitled To But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
University of Washington (UW)	696	4	7,046	7,746
Washington State University (WSU)	277	24	2,210	2,511
Eastern Washington University (EWU)	34	32	450	516
Central Washington University (CWU)	61	—	124	185
The Evergreen State College (TESC)	20	5	231	256
Western Washington University (WWU)	48	1	646	695
State Board for Community and Technical Colleges (SBCTC)	173	22	6,171	6,366
Total	1,309	88	16,878	18,275

Change in Total Pension Liability/(Asset). The following table presents the change in total pension liability/(asset) of Higher Education Supplemental Retirement Plans at June 30, 2018 (expressed in thousands):

Change in Total Pension Liability/(Asset)	UW	WSU	CWU	EWU	TESC	WWU	SBCTC
TOTAL PENSION LIABILITY							
Service cost	$ 14,788	$ 2,763	$ 91	$ 477	$ 210	$ 737	$ 3,827
Interest	16,128	3,261	299	429	237	837	3,517
Changes of benefit terms	—	—	—	—	—	—	—
Differences between expected and actual experience	(33,953)	(7,171)	(466)	3,867	(565)	(2,233)	(10,402)
Changes of assumptions	(17,105)	(3,255)	(272)	(621)	(229)	(819)	(3,519)
Benefit payments	(6,130)	(2,181)	(412)	(202)	(183)	(380)	(1,300)
Other	—	—	—	—	—	—	—
Net Change in Total Pension Liability	(26,272)	(6,583)	(760)	3,950	(530)	(1,858)	(7,877)
Total Pension Liability--Beginning	438,753	89,414	8,477	11,601	6,510	22,820	95,050
Total Pension Liability --Ending	$ 412,481	$ 82,831	$ 7,717	$ 15,551	$ 5,980	$ 20,962	$ 87,173

Sensitivity of the Total Pension Liability/(Asset) to Changes in the Discount Rate. The following table presents the total pension liability/(asset), calculated using the discount rate of 3.87 percent, as well as what the employers' total pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate (expressed in thousands):

Total Pension Liability (Asset)			
Plans	**1% Decrease**	**Current Discount Rate**	**1% Increase**
University of Washington (UW)	$ 473,624	$ 412,481	$ 361,760
Washington State University (WSU)	94,146	82,831	73,380
Eastern Washington University (EWU)	17,703	15,551	13,757
Central Washington University (CWU)	8,593	7,717	6,976
The Evergreen State College (TESC)	6,768	5,980	5,321
Western Washington University (WWU)	23,761	20,962	18,618
State Board for Community and Technical Colleges (SBCTC)	99,428	87,173	76,980
Total	**$ 724,023**	**$ 632,695**	**$ 556,792**

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.
At June 30, 2018, the Higher Education Supplemental Retirement Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

University of Washington (UW)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 85,844
Changes of assumptions	—	36,354
Transactions subsequent to the measurement date	—	—
Total	$ —	$ 122,198

Central Washington University (CWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 513
Changes of assumptions	—	282
Transactions subsequent to the measurement date	—	—
Total	$ —	$ 795

Washington State University (WSU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 17,785
Changes of assumptions	—	7,461
Transactions subsequent to the measurement date	—	—
Total	$ —	$ 25,246

The Evergreen State College (TESC)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 1,398
Changes of assumptions	—	464
Transactions subsequent to the measurement date	—	—
Total	$ —	$ 1,862

Eastern Washington University (EWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,322	$ 2,001
Changes of assumptions	—	988
Transactions subsequent to the measurement date	—	—
Total	$ 3,322	$ 2,989

Western Washington University (WWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 5,641
Changes of assumptions	—	2,203
Transactions subsequent to the measurement date	—	—
Total	$ —	$ 7,844

State Board for Community and Technical Colleges (SBCTC)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 27,771
Changes of assumptions	—	7,485
Transactions subsequent to the measurement date	—	—
Total	$ —	$ 35,256

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

University of Washington (UW)		
2019	$	(19,397)
2020	$	(19,397)
2021	$	(19,397)
2022	$	(19,397)
2023	$	(19,397)
Thereafter	$	(25,213)

Central Washington University (CWU)		
2019	$	(436)
2020	$	(189)
2021	$	(170)
2022	$	—
2023	$	—
Thereafter	$	—

Eastern Washington University (EWU)		
2019	$	(65)
2020	$	(65)
2021	$	(65)
2022	$	(65)
2023	$	91
Thereafter	$	502

State Board for Community and Technical Colleges (SBCTC)		
2019	$	(5,861)
2020	$	(5,861)
2021	$	(5,861)
2022	$	(5,861)
2023	$	(5,861)
Thereafter	$	(5,951)

Washington State University (WSU)		
2019	$	(4,767)
2020	$	(4,767)
2021	$	(4,767)
2022	$	(4,767)
2023	$	(4,092)
Thereafter	$	(2,086)

The Evergreen State College (TESC)		
2019	$	(378)
2020	$	(378)
2021	$	(378)
2022	$	(378)
2023	$	(217)
Thereafter	$	(133)

Western Washington University (WWU)		
2019	$	(1,507)
2020	$	(1,507)
2021	$	(1,507)
2022	$	(1,507)
2023	$	(1,175)
Thereafter	$	(641)

E. DEFINED CONTRIBUTION PLANS

Public Employees' Retirement System Plan 3

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to Note 11.B for PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from PERS-covered employment.

Teachers' Retirement System Plan 3

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to Note 11.B for TRS Plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, TRS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in TRS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from TRS-covered employment.

Judicial Retirement Account

The Judicial Retirement Account (JRA) Plan was established by the Legislature in 1988 to provide supplemental retirement benefits. It is a defined contribution plan administered by the state Administrative Office of the Courts (AOC), under the direction of the Board for Judicial Administration. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts, and who are members of PERS for their services as a judge. Vesting is full and immediate. At June 30, 2018, there were two active members and 119 inactive members and one member receiving monthly benefits in JRA. The state, through the AOC, is the sole participating employer.

Beginning January 1, 2007, any justice or judge who was in a judicial position at that time and who chose to join the Judicial Benefit Multiplier (JBM) Program could no longer participate in JRA. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership, they will be enrolled as a member of both PERS Plan 2 and JBM.

JRA Plan members are required to contribute 2.5 percent of covered salary. The state, as employer, contributes an equal amount on a monthly basis. The employer and employee obligations to contribute are established per chapter 2.14 RCW. Plan provisions and contribution requirements are established in state statute and may be amended only by the Legislature.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. The administrator of JRA may adopt rules establishing other payment options. If a member dies, the amount of accumulated contributions standing to the member's credit at the time of the member's death is to be paid to the member's estate or such person or persons, trust or organization, as the member has nominated by written designation.

For fiscal year 2018, the state recognized pension expense for contributions of $13 thousand made to employee accounts. No plan refunds were made.

The administrator of JRA has entered an agreement with the DRS for accounting and reporting services, and the Washington State Investment Board (WSIB) for investment services. Under this agreement, the DRS is responsible for all record keeping, accounting, and reporting of member accounts and the WSIB is granted the full power to establish investment policy, develop participant investment options, and manage the investment funds for the JRA Plan, consistent with the provisions of RCW 2.14.080 and 43.84.150.

Higher Education Retirement Plans

The Higher Education Retirement Plans are privately administered defined contribution plans with a supplemental defined benefit plan component. The state and regional universities, the state college, the state community and technical colleges, and the Student Achievement Council each participate in a plan. As authorized by chapter 28B.10 RCW, the plans cover faculty and other positions as designated by each participating employer.

Contributions to the plans are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have, at all times, a 100 percent vested interest in their accumulations.

RCW 28B.10.400, et. seq. assigns the authority to establish and amend benefit provisions to the board of regents of the state universities, the boards of trustees of the regional universities and the state college, the state board for community and technical colleges, and the Student Achievement Council.

Employee contribution rates, based on age, range from 7.43 percent to 8.67 percent of salary. The employers match the employee contributions. The employer and employee obligations to contribute are established per chapter 28B.10 RCW.

For fiscal year 2018, employer and employee contributions were $249.3 and $218.1 million, respectively, for a total of $467.4 million.

Note 12
Other Postemployment Benefits

General Information

The state implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for fiscal year 2018 financial reporting. In addition to pension benefits as described in Note 11, the state, through the Health Care Authority (HCA), administers af single-employer defined benefit other postemployment benefit (OPEB) plan.

Plan Description. Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers, and plan members, and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumption used in valuations presented in this footnote assume that this substantive plan will be carried forward into the future.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

Employees Covered by Benefit Terms. Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 76 of the state's K-12 schools and educational service districts (ESDs), and 249 political subdivisions and tribal governments not included in the state's financial reporting that participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs.

Membership in the PEBB plan for the state consisted of the following:

Summary of Plan Participants
As of June 30, 2017

Active employees	123,379
Retirees receiving benefits*	46,180
Retirees not receiving benefits**	6,000
Total active employees and retirees	175,559

*Enrollment data for June 2017 from Report 1: PEBB Total Member Enrollment for June 2017 Coverage report. PEBB Retirees only.

**This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future.

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, Higher Education, Judicial, and LEOFF 2. However, not all employers who participate in these plans offer PEBB to retirees.

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2016, the average weighted implicit subsidy was valued at $304 per adult unit per month, and in calendar year 2017, the average weighted implicit subsidy was valued at $327 per adult unit per month. In calendar year 2018, the average weighted implicit subsidy is projected to be $348 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2016, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar years 2017 and 2018. This will increase in calendar year 2019 up to $168 per member per month.

Contribution Information. Administrative costs as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits.

Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

The estimated monthly cost for PEBB benefits for the reporting period for each active employee (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium*		
Medical	$	1,071
Dental		80
Life		4
Long-term disability		2
Total	$	1,157
Employer contribution	$	1,001
Employee contribution		156
Total	$	1,157

*Per 2018 PEBB Financial Projection Model 4.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2018 which includes projected claims cost at the time of this reporting.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to: http://leg.wa.gov/osa/additional services/Pages/OPEB.aspx.

Actuarial Assumptions. The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	1/1/2017
Actuarial measurement date	6/30/2017
Actuarial cost method	Entry Age
Amortization method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset valuation method	N/A - No Assets

In order to calculate the beginning total OPEB liability balance under GASB Statement No. 75, the January 1, 2017, actuarial valuation was projected backwards to the measurement date of June 30, 2016, while the ending balance was determined by projecting the January 1, 2017, valuation forward to June 30, 2017. Both the forward and backward projections reflect the plan's assumed service cost, assumed interest, and expected benefit payments.

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	3%
Projected salary changes	3.75% plus service-based salary increases
Health care trend rates	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 7%, reaching an ultimate rate of approximately 5% in 2080.
Post-retirement participation percentage	65%
Percentage with spouse coverage	45%

In projecting the growth of the explicit subsidy, the cap is assumed to remain constant until 2019, at which time the explicit subsidy cap is assumed to grow at the health care trend rates. The Legislature determines the value of the cap and no future increases are guaranteed; however, based on historical growth patterns, future increases to the cap are assumed.

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year throughout their lifetime.

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage, were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2015 Economic Experience Study.

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 2.85 percent for the June 30, 2016, measurement date and 3.58 percent for the June 30, 2017, measurement date.

Changes in assumptions resulted from an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate resulting in an overall decrease in total OPEB liability for the measurement date of June 30, 2017.

Additional detail on assumptions and methods can be found on the Office of State Actuary's website: http://leg.wa.gov/osa/additional services/Pages/OPEB.aspx.

Total OPEB Liability. As of June 30, 2018, the state reported a total OPEB liability of $5.83 billion.

Changes in Total OPEB Liability

The following table presents the change in the total OPEB liability as of the June 30, 2018, reporting date (expressed in thousands):

Changes in Total OPEB Liability	State	Component Units	Total
Total OPEB Liability - Beginning	$ 6,238,681	$ 3,896	$ 6,242,577
Changes for the year:			
Service cost	394,709	246	394,955
Interest	184,884	115	184,999
Difference between expected and actual experience	—	—	—
Changes in benefit terms	—	—	—
Change in assumptions*	(901,867)	(563)	(902,430)
Benefit payments	(94,220)	(59)	(94,279)
Other	—	—	—
Net Changes in Total OPEB Liability	(416,494)	(261)	(416,755)
Total OPEB liability - Ending	$ 5,822,187	$ 3,635	$ 5,825,822

*The recognition period for these changes is nine years. This is equal to the average expected remaining service lives of all active and inactive members.

Note: Figures may not total due to rounding.

Sensitivity of the Total Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the state as an employer calculated using the discount rate of 3.58 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate (expressed in thousands):

	State	Component Units	Total
1% Decrease	$ 7,103,786	$ 4,437	$ 7,108,223
Current Discount Rate	$ 5,822,187	$ 3,635	$ 5,825,822
1% Increase	$ 4,830,434	$ 3,017	$ 4,833,451

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the state as an employer, calculated using the health care trend rates of 7.00 percent decreasing to 5.00 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (6.00 percent decreasing to 4.00 percent) or 1 percentage point higher (8.00 percent decreasing to 6.00 percent) than the current rate (expressed in thousands):

	State	Component Units	Total
1% Decrease	$ 4,703,526	$ 2,937	$ 4,706,463
Current Health Care Cost Trend Rate	$ 5,822,187	$ 3,635	$ 5,825,822
1% Increase	$ 7,323,530	$ 4,573	$ 7,328,103

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB. For the year ending June 30, 2018, the state recognized OPEB expense of $479.7 million.

On June 30, 2018, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB for the state, including component units, from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	802,160
Transactions subsequent to the measurement date	92,197	—
Total	$ 92,197	$ 802,160

Deferred outflows of resources and deferred inflows of resources related to OPEB for component units as of the June 30, 2018, reporting date were as follows (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	500
Transactions subsequent to the measurement date	58	—
Total	$ 58	$ 500

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for the state and component units will be recognized in OPEB expense in the fiscal years ended June 30 as follows (expressed in thousands):

Subsequent Years		
2019	$	(100,270)
2020	$	(100,270)
2021	$	(100,270)
2022	$	(100,270)
2023	$	(100,270)
Thereafter	$	(300,810)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for component units will be recognized in OPEB expense in the fiscal years ended June 30 as follows (expressed in thousands):

Subsequent Years		
2019	$	(63)
2020	$	(63)
2021	$	(63)
2022	$	(63)
2023	$	(63)
Thereafter	$	(185)

Note 13
Derivative Instruments

Hedging Derivatives
In addition to investment derivatives as described in Note 3, the state, through the Washington State Department of Transportation Ferries Division (WSF) entered into commodity swap agreements to hedge a portion of WSF diesel fuel consumption.

The following table presents the hedging derivative instruments as of June 30, 2018 (expressed in thousands):

	Changes in Fair Value			Fair Value at June 30, 2018			Notional amount
	Classification		Amount	Classification		Amount	(in gallons)
Governmental Activities							
Cash Flow Hedges:							
Commodity Swaps	Deferred Inflow	$	(4,242)	Accounts Receivable	$	3,869	9,072

The commodity swaps noted above were reviewed for hedge accounting and were deemed effective using the regression analysis method.

Objective
The objective for the hedge transaction is to minimize the volatility of the price of diesel fuel and therefore stabilize the percentage of the WSF operating budget represented by fuel purchases. To accomplish this, a strategy of active hedging has been implemented by WSF to control the uncertain costs of fuel and allow for more accurate budget estimates.

Significant Terms
The significant terms of active hedges WSF entered into during fiscal year 2018 are presented in the table below:

Type	Counterparty	Contract price per gallon	Variable rate received	Trade date	Settlement period	Monthly notional amount (in gallons)
Commodity Swap	Cargill	1.72	NYMEX ULSD Heating Oil	2/15/2017	7/2017 - 6/2018	42,000 - 294,000
Commodity Swap	BofA - Merrill Lynch	1.31	NYMEX ULSD Heating Oil	1/15/2016	7/2017 - 6/2018	252,000
Commodity Swap	BofA - Merrill Lynch	1.61	NYMEX ULSD Heating Oil	1/15/2016	7/2017 - 6/2018	252,000
Commodity Swap	BofA - Merrill Lynch	1.56	NYMEX ULSD Heating Oil	8/12/2016	7/2017 - 6/2018	252,000
Commodity Swap	BofA - Merrill Lynch	1.58	NYMEX ULSD Heating Oil	11/10/2016	7/2017 - 6/2018	252,000
Commodity Swap	BofA - Merrill Lynch	1.42	NYMEX ULSD Heating Oil	1/15/2016	7/2018 - 6/2019	252,000
Commodity Swap	BofA - Merrill Lynch	1.73	NYMEX ULSD Heating Oil	6/7/2016	7/2018 - 6/2019	252,000
Commodity Swap	BofA - Merrill Lynch	1.57	NYMEX ULSD Heating Oil	5/3/2017	7/2018 - 6/2019	252,000

The hedging strategy consists of a reference to futures contracts of New York Mercantile Exchange (NYMEX) Ultra Low Sulfur Diesel (ULSD) Heating Oil. This commodity remains highly correlated to the diesel fuel type being used by WSF. These fuel hedges require no initial cash investment and provide monthly settlements.

The monthly settlements are based on the daily prices of the respective commodities whereby WSF will either receive a payment or make a payment to the counterparty, depending on the average monthly prices of the commodities in relation to the contract prices.

Fair Value

The state reports its hedging derivative instruments at fair value as either accounts payable - liability (negative fair value amount) or as other receivables - asset (positive fair value amount). The fair value represents the current price to settle swap assets or liabilities in the market place if a swap were to be terminated. The changes in fair value for hedging derivatives represent the unrealized gain or loss on the contracts and are reported as deferred inflows or deferred outflows of resources, respectively. At fiscal year end, the state reports the fair value and changes in fair value related to hedging derivative instruments on the Balance Sheet for Non-major Governmental Funds and the Government-wide Statement of Net Position.

Risks

The following risks are generally associated with commodity swap agreements:

Basis risk. Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedged item are based on different reference rates. Statistically, the relationship between heating oil prices and diesel fuel prices has been quite stable over the past five years with a 98 percent correlation. This means that the heating oil futures price explains 98 percent of the variance in the price that WSF pays for its diesel fuel, making it highly reliable. In order to mitigate basis risk, WSF continually monitors the relationship between futures prices and the price of diesel fuel delivered.

Termination Risk. Termination risk is the risk that there will be a mandatory early termination of the commodity swap that would result in WSF either paying or receiving a termination payment. Mandatory terminations generally result when a counterparty suffers degraded credit quality or fails to perform. Upon termination, payment may be required by either party, reflecting fair value at the time of termination.

Credit Risk. Credit risk is the risk that the counterparty fails to make the required payments or otherwise comply with the terms of the swap agreement. WSF is exposed to credit risk in the amount of the derivative's fair value. When the fair value of any derivative has a positive market value, then WSF is exposed to the actual risk that the counterparty will not fulfill its obligation. To mitigate credit risk, WSF monitors the credit ratings of the counterparties. At June 30, 2018, credit ratings of the state's counterparty were as follows:

Counterparty	Moody's	Standard & Poor's	Fitch
Cargill	A2	A	A
Bank of America Merrill Lynch International Limited	-	A+	A+

Note 14
Tax Abatements

The state of Washington provides tax abatements through 11 programs, 7 of which are only available to businesses in the aerospace industry. Only tax abatement programs with greater than $5 million in taxes abated during fiscal year 2018 are disclosed. All tax abatement programs for the aerospace industry are disclosed.

Data Center Server Equipment and Power Infrastructure Sales and Use Tax Exemption

Per Revised Codes of Washington (RCWs) 82.08.986 and 82.12.986, the purchase or use of server equipment and power infrastructure in data centers within Washington, along with certain related labor and services charges, may be exempt from sales and use tax to encourage immediate investments in technology facilities. The Department of Revenue (DOR) will issue an exemption certificate, which the buyer must present to the seller at the time of the sale in order to make eligible tax-exempt purchases.

Within six years of the date that the exemption certificate is issued, the certificate holder must establish that net employment at the computer data center has increased by a minimum of 35 family wage positions or 3 family wage employment positions for each 20,000 square feet or less of space. Family wage employment positions are new permanent employment positions requiring 40 hours of weekly work, or their equivalent, at the eligible computer data center, and receiving a wage equivalent to or greater than 150 percent of the per capita personal income of the county in which the data center is located. All previously exempted sales and use tax are immediately due and payable for a qualifying business or tenant that does not meet these requirements.

High Unemployment County Sales & Use Tax Deferral for Manufacturing Facilities

To encourage public and private investment in low-income areas with high rates of unemployment, sales and use tax arising from certain construction and equipment purchases for new and expanding manufacturers, persons conditioning vegetable seeds, research and development, and commercial testing for manufacturers in a Community Empowerment Zone (CEZ) may be permanently deferred if the project meets specific criteria per chapter 82.60 RCW. To qualify for deferral, the business must submit an application to DOR prior to completion of construction or the business taking possession of the machinery and equipment. Approved applicants will receive a sales and use tax deferral certificate, which allows vendors and contractors to sell to the approved applicant without charging sales tax.

Deferred taxes need not be repaid if the business fills at least one permanent full-time position for each $750,000 investment with a resident of the CEZ by the end of the second calendar year following the year in which the project is certified as operationally complete. Failure to meet the employment requirement causes all deferred taxes to become immediately due. Each recipient of a deferral of taxes must file a complete annual survey with DOR for eight years following the year in which the project is operationally complete. If DOR finds that the project does not qualify for the deferral, all deferred taxes become immediately due.

High-Technology Sales and Use Tax Deferral

Chapter 82.63 RCW provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.

Businesses must apply for a deferral certificate prior to being issued a building permit for the project(s) or before taking possession of machinery and equipment. Eligible projects will receive a sales and use tax deferral certificate issued by DOR, which allows vendors and contractors to sell to the approved business without charging sales tax. An annual survey must be filed by May 31 of the year in which the project is certified and for the following seven years. If the investment project is used for any other purpose at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, a portion of the deferred taxes must be repaid immediately. The portion due is determined by a sliding scale ranging from 100 percent recapture in the year the project is operationally complete to 12.5 percent recapture in year eight.

Multi-Unit Urban Housing Property Tax Exemption

RCW 84.14.020 allows for a property tax exemption to improve residential opportunities, including affordable housing opportunities, in urban centers. In order to qualify for the exemption, the new or rehabilitated multiple-housing unit must be located in a targeted residential area designated by the city or county, provide for a minimum of 50 percent of the space for permanent residential occupancy, meet all construction and development regulations of the city, and be completed within three years from the date of approval of the application. To qualify as a rehabilitated unit, the property must also fail to comply with one or more standards of the applicable state or local building or housing codes on or after July 23, 1995.

The property owner must apply for the exemption certificate with the city where the property is located before beginning construction. If the city approves the application, the exemption certificate will be issued after the owner certifies all requirements have been met upon completion of the project. If the application for a tax exemption certificate was submitted before July 22, 2007, the property is exempt for ten years. If the application for a tax exemption certificate was submitted on or after July 22, 2007, the property is exempt for eight years, unless the applicant commits to renting or selling at least 20 percent of the units as affordable housing units to low and moderate-income households, making it exempt for 12 years. Each tax exemption certificate recipient must submit an annual report to the city. If the city determines that a portion of the property no longer meets the exemption requirements, the tax exemption is canceled and a lien will be placed on the land for the additional real property tax on the value of the non-qualifying improvements plus a 20 percent penalty and interest.

Aerospace Incentives

The state of Washington provides seven tax abatement and incentive programs to the aerospace industry to encourage the industry's continued presence in the state of Washington.

RCWs 82.04.260(11), 82.04.290(3), and 82.04.250(3) allow for a reduced business and occupation (B&O) tax for manufacturers and processors for hire of commercial airplanes, component parts of commercial airplanes, or tooling designed for use in manufacturing commercial airplanes or components; non-manufacturers engaged in the business of aerospace product development; and certificated Federal Acquisition Regulation (FAR) repair stations making retail sales.

The purchase of goods and services, including labor, for the construction of new buildings used to manufacture commercial airplanes or fuselages or wings of commercial airplanes are exempt from sales and use tax per RCWs 82.08.980 and 82.12.980. The exemption also applies to new buildings or parts of new buildings used for storing raw materials or finished products used to manufacture commercial airplanes and certain commercial airplane parts. Port districts, political subdivisions, or municipal corporations may also use the sales and use tax exemption when constructing new facilities to lease to these manufacturers. The eligible purchaser must present a Buyers' Retail Sales Tax Exemption Certificate to the seller at the time of purchase. Per RCW 82.32.330(2), the amount of sales and use tax abated from this exemption cannot be disclosed because there are fewer than three taxpayers that received the exemption in fiscal year 2018.

RCW 82.04.4461 allows a B&O tax credit equal to 1.5 percent of expenditures on aerospace product development performed within Washington. A business claiming the credit must file an annual report with DOR.

Per RCW 82.04.4463, manufacturers and processors for hire of commercial airplanes or their component parts and aerospace tooling manufacturers are eligible for a B&O tax credit equal to the property and leasehold taxes paid on certain buildings, land, and the increased value from certain building renovations or expansions, as well as a portion of property taxes paid on certain machinery and equipment. The credit for machinery and equipment is equal to the amount of property taxes paid on the machinery and equipment multiplied by a fraction as prescribed in the RCW. Eligibility for the credit requires the building, land, and/or machinery and equipment be used exclusively in manufacturing commercial airplanes or their components or in manufacturing tooling specifically designed for use in manufacturing commercial airplanes or their components. A business claiming the credit must file an annual report with DOR.

Non-manufacturers engaged in the business of aerospace product development and certificated FAR repair stations making retail sales are eligible for a B&O tax credit equal to property and leasehold taxes on certain buildings, land, and the increased value of renovated buildings, and qualifying computer equipment and peripherals under RCW 82.04.4463. Eligibility for the credit requires the building, land, and/or computer equipment and peripherals be used exclusively in aerospace product development or in providing aerospace services. A business claiming the credit must file an annual report with DOR.

The purchase and use of computer hardware, software, or peripherals, including installation charges, is exempt from sales and use tax per RCWs 82.08.975 and 82.12.975 if the buyer uses the purchased item primarily in developing, designing, and engineering aerospace products. The purchaser must present a Buyers' Retail Sales Tax Exemption Certificate to the seller at the time of purchase.

Leasehold interests in port district facilities used by a manufacturer of superefficient airplanes are exempt from leasehold excise tax per RCW 82.29A.137. In addition, all buildings, machinery, equipment, and other personal property of a lessee of a port district used exclusively in manufacturing superefficient airplanes is exempt from property tax per RCW 84.36.655. No taxpayers were eligible for either of these exemptions during fiscal year 2018.

The following table shows the amount of taxes abated by the state of Washington during fiscal year 2018 (expressed in thousands):

Tax Abatement Program		Amount of Taxes Abated
Data center server equipment and power infrastructure sales and use tax exemption	$	29,112
High unemployment county sales & use tax deferral for manufacturing facilities		7,249
High-technology sales and use tax deferral		60,833
Multi-unit urban housing property tax exemption		11,351
Aerospace incentives:		
Reduced B&O tax rate		107,089
Credit for preproduction development expenditures		85,446
Credit for property and leasehold taxes paid on aerospace business facilities		38,161
Computer hardware, software, and peripherals sales and use tax exemption		3,882
TOTAL	$	343,123

Note 15
Commitments and Contingencies

A. CAPITAL COMMITMENTS

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled $2.91 billion at June 30, 2018.

B. ENCUMBRANCES

Encumbrances, which represent commitments related to unperformed contracts for goods or services, are included in restricted, committed, or assigned fund balance, as appropriate. Operating encumbrances lapse at the end of the applicable appropriation period. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at the end of fiscal year 2018 are (expressed in thousands):

General Fund	101,292
Higher Education Special Revenue Fund	5,179
Nonmajor Governmental Funds	910,532

C. SUMMARY OF SIGNIFICANT LITIGATION

Pending Litigation

The state and its agencies are parties to numerous routine legal proceedings that normally occur in governmental operations. In addition, at any given point, there may be numerous lawsuits involving the implementation, reduction, or elimination of specific state programs that could significantly impact expenditures and revenues, and potentially have future budgetary impact. This summary considers significant litigation not covered by tort insurance. Tort case liabilities are disclosed in Note 7.E, Claims and Judgments, Risk Management.

The state is the defendant in a number of cases alleging inadequate funding of state programs or services. Claims include inadequate funding for the provision of daily personal care and medical and mental health services to children, the elderly, and the disabled. Collective claims in these programmatic and service cases exceed $35 million. In addition, adverse rulings in some of these cases could result in significant future costs.

The Department of Revenue routinely has claims for refunds or exemptions in various stages of administrative and legal review. Cases involving such claims total approximately $152 million, though an adverse ruling could result in additional claims being brought by similarly situated taxpayers.

The Department of Retirement Systems is a defendant in a number of lawsuits alleging denial or miscalculation of benefits. Claims in this category total approximately $55 million.

The state is contesting these lawsuits and the outcomes are uncertain at this time.

Tobacco Settlement

In November 1998, Washington joined 45 other states in a Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers to provide restitution for monies spent under health care programs for the treatment of smoking-related illnesses.

The annual payments to each state under the MSA are subject to a number of adjustments, including the nonparticipating manufacturer (NPM) adjustment. The NPM adjustment is a downward adjustment that is applicable to any state found by an arbitration panel not to have diligently enforced the qualifying statute. The amount of the available adjustment is calculated every year by Price Waterhouse Coopers and is typically $1.25 billion. States found not diligent share the costs of that downward adjustment and the adjustment is applied against the next annual MSA payment. No state can lose more than its entire annual payment.

For every annual MSA payment cycle since 2006, the participating manufacturers have withheld the amount of the available NPM adjustment from their MSA payments claiming all of the states were not diligent, depositing the amount of the available adjustment into a Disputed Payments Account. For Washington, the amount withheld from each payment has been approximately $14 million. The states are required to sue the participating manufacturers to recover the withheld amounts.

The withholding in 2006 challenged the states' diligence for calendar year 2003. That challenge marked the first time the NPM adjustment procedure was involved and led to diligent enforcement arbitrations. The arbitration involves all 54 MSA jurisdictions and the participating manufacturers and occurs in two stages: a national hearing on "common issues" and then each state's specific case.

During the 2003 NPM adjustment dispute, 22 states settled their dispute. The participating manufacturers agreed to a 54 percent reduction in their annual MSA payments and to additional NPM enforcement obligations. On September 11, 2013, the arbitration panel issued a decision in Washington's favor, unanimously concluding that Washington proved that it diligently enforced the qualifying statute during calendar year 2003 and therefore, for that calendar year, is not subject to an NPM adjustment under the MSA. As a result of that decision, in fiscal year 2014, Washington received approximately $14 million more than it would have otherwise received.

The 2004 NPM adjustment dispute is currently underway. The common issues trial was completed in June 2017 and Washington's state-specific hearing was completed in April 2018. The final state's hearing is set for April 2019. All diligence determinations are embargoed until decisions for all states are made and all decisions are released simultaneously. Determinations are expected in the fall of 2019 and any NPM adjustments are applied to the April 2020 MSA payment. Washington faces a potential downward NPM adjustment in its 2020 MSA payment between $0 and $137 million for the year 2004. If Washington wins the 2004 dispute, then the state will receive its full 2020 MSA payment plus the $14 million that was withheld in 2007 and the earnings on that amount from the Disputed Payments Account.

D. FEDERAL ASSISTANCE

The state has received federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies.

Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the state.

The state estimates and recognizes claims and judgments liabilities for disallowances when determined by the grantor agency or for probable disallowances based on experience pertaining to these grants; however, these recognized liabilities and any unrecognized disallowances are considered immaterial to the state's overall financial condition.

E. ARBITRAGE REBATE

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue.

The rebatable arbitrage must be paid to the federal government. The state estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

F. FINANCIAL GUARANTEES

School District Credit Enhancement Program

In accordance with chapter 39.98 RCW (School District Credit Enhancement Program), the state has guaranteed outstanding voter-approved general obligation bonds of school districts within the state in the amount of $12.98 billion at June 30, 2018. The guarantees extend through the life of the bonds, with a final maturity date of the longest series in 2043.

In the event that a school district has insufficient funds to make a required debt service payment on a guaranteed bond, the state is required to transfer sufficient funds to make the payment. School districts for which the state has made all or part of a debt service payment shall reimburse the state for all money drawn on their behalf, as well as interest and penalties. The state has not paid debt service on any school debt since the inception of the program in 2000.

G. COLUMBIA RIVER CROSSING

The Washington State Department of Transportation (WSDOT) and the Oregon Department of Transportation (ODOT) worked together, along with federal and local agencies, on the Columbia River Crossing (CRC) project. The CRC project was a bridge, transit, highway, bicycle, and pedestrian improvement project intended to replace the existing two highway spans on Interstate 5 (I-5) across the Columbia River, along with new interchanges on both the Washington and Oregon sides of the river. It also included extension of light rail public transit into Vancouver, Washington.

In 2014, the CRC project was shut down due to lack of funding by both the Washington and Oregon legislatures. During the project, WSDOT expended approximately $54 million in federal funds, of which $15 million was jointly awarded to Washington and Oregon.

Under Federal Highway Administration (FHWA) policy, failure to advance a project to the construction phase within 10 years of the initial obligation of funds could trigger a requirement to repay federal funds used on the project. FHWA has granted Washington and Oregon an extension to September 30, 2019. WSDOT and ODOT continue discussions with FHWA regarding the I-5 bridge replacement and the necessity and timing of repayment of federal funds.

Substitute Senate Bill (SSB) 5806, effective July 23, 2017, provides $350,000 for the purpose of conducting a planning inventory to document existing planning data related to the construction of a new I-5 bridge over the Columbia River. SSB 6106 provided an additional $350,000 for implementation of SSB 5806. On December 1, 2017, WSDOT submitted a report to the Legislature that details the findings of the inventory of the existing planning work. In addition, SSB 5806 invited the Legislature of Oregon to participate in a joint legislative action committee. This committee is tasked with beginning a process toward project development and providing a report of findings and recommendations by December 15, 2018.

H. GUARANTEED EDUCATION TUITION LOSS CONTINGENCY

Engrossed Second Substitute Senate Bill 5954 was signed into law by the Governor on July 6, 2015, establishing the College Affordability Program. It reduced tuition at all public institutions of higher education during the 2015-16 and 2016-17 academic years and limits tuition growth in future years. During the 2018 legislative session, the Legislature enacted Senate Bill 6087, which provides new account options and additional benefits for Guaranteed Education Tuition (GET) customers who purchased units before July 1, 2015.

From June 15, 2018, to September 12, 2018, GET account holders have the option to roll funds over to the new DreamAhead College Investment Plan (Washington 529 plan) at a special payout value of $143 per unit, request a refund, or roll over funds to an out-of-state 529 plan. The GET Committee will make two account adjustments for customers who choose to stay in GET. The first adjustment will add units to all GET accounts with an average unit purchase price higher than $117.82. The second adjustment will depend on the GET program's funded status after the first adjustment. If the funded status is higher than 125 percent, all customers with unredeemed units purchased prior to July 1, 2015, will receive more units.

I. OTHER COMMITMENTS AND CONTINGENCIES

Local Option Capital Asset Lending Program

On September 1, 1998, the state lease-purchase program was extended to local governments seeking low cost financing of essential equipment and in the year 2000 for real estate. The Local Option Capital Assets Lending (LOCAL) program allows local governments to pool their financing requests together with Washington state agencies in Certificates of Participation (COPs). Refer to Note 7.B for the state's COP disclosure.

These COPs do not constitute a debt or pledge of the full faith and credit of the state; rather, local governments pledge their full faith and credit in a general obligation pledge.

In the event that any local government fails to make any payment, the state is obligated to withhold an amount sufficient to make such payment from the local government's share, if any, of state revenues or other amounts authorized or required by law to be distributed by the state to such local government, if otherwise legally permissible.

Upon failure of any local government to make a payment, the state is further obligated, to the extent of legally available appropriated funds to make such payment on behalf of such local government. The local government remains obligated to make all COP payments and reimburse the state for any conditional payments.

As of June 30, 2018, outstanding COP notes totaled $67.6 million for 138 local governments participating in LOCAL. The state estimates that the LOCAL program liability, if any, will be immaterial to its overall financial condition.

Note 16
Subsequent Events

A. BOND ISSUES

In August 2018, the state issued:

- $262.5 million in general obligation bonds to provide funds to pay and reimburse for various state capital projects.
- $93.6 million in motor vehicle fuel tax general obligation bonds to provide funds to pay and reimburse for construction of selected projects that are identified as transportation 2003 or 2005 projects.
- $145.7 million in taxable general obligation bonds to provide funds to pay and reimburse for various non-transportation capital projects.

B. CERTIFICATES OF PARTICIPATION

In August 2018, the state issued $47.2 million in Certificates of Participation (COP) of which $1.4 million were refundings.

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Required Supplementary Information

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Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 2,800,959	$ 2,800,959	$ 2,800,959	$ —
Resources				
Taxes	41,877,017	42,114,494	21,142,727	(20,971,767)
Licenses, permits, and fees	223,597	229,551	124,364	(105,187)
Other contracts and grants	735,272	840,503	330,327	(510,176)
Timber sales	6,294	5,878	1,924	(3,954)
Federal grants-in-aid	23,763,712	24,467,146	11,618,774	(12,848,372)
Charges for services	96,751	96,355	48,367	(47,988)
Investment income (loss)	43,586	34,252	29,393	(4,859)
Miscellaneous revenue	445,610	560,111	284,060	(276,051)
Unclaimed property	131,846	171,914	98,822	(73,092)
Transfers from other funds	3,015,087	4,938,197	1,537,159	(3,401,038)
Total Resources	73,139,731	76,259,360	38,016,876	(38,242,484)
Charges To Appropriations				
General government	4,219,483	4,263,232	1,999,306	2,263,926
Human services	35,614,129	36,180,337	17,331,521	18,848,816
Natural resources and recreation	718,985	804,561	389,979	414,582
Transportation	118,591	124,947	57,492	67,455
Education	27,291,160	27,967,064	13,023,614	14,943,450
Capital outlays	314,778	939,940	140,904	799,036
Transfers to other funds	1,875,025	3,826,789	1,170,570	2,656,219
Total Charges To Appropriations	70,152,151	74,106,870	34,113,386	39,993,484
Excess Available For Appropriation Over (Under) Charges To Appropriations	2,987,580	2,152,490	3,903,490	1,751,000
Reconciling Items				
Bond sale proceeds	188,943	301,811	59,590	(242,221)
Assumed reversions	216,868	216,000	—	(216,000)
Working capital adjustment	—	—	(256,000)	(256,000)
Noncash activity (net)	—	—	50,165	50,165
Nonappropriated fund balances	—	—	116,024	116,024
Changes in reserves (net)	—	—	(3,274)	(3,274)
Total Reconciling Items	405,811	517,811	(32,778)	(550,589)
Budgetary Fund Balance, June 30	$ 3,393,391	$ 2,670,301	$ 3,870,712	$ 1,200,411

The separately submitted report that demonstrates compliance at a legal level of budgetary control is traceable to the Schedule of Revenues, Expenditures and Other Financing Sources (Uses) - Budget and Actual found in the Individual Fund Schedules section.

General Fund - Budget to GAAP Reconciliation

General Fund - Budget to GAAP Reconciliation General Fund For the Fiscal Year Ended June 30, 2018 *(expressed in thousands)*		
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "Total Resources"		
from the Budgetary Comparison Schedule	$	38,016,876
Differences - budget to GAAP:		
The following items are inflows of budgetary resources but are not		
revenue for financial reporting purposes:		
Transfers from other funds		(1,537,159)
Budgetary fund balance at the beginning of the biennium, as restated		(2,800,959)
Appropriated loan principal repayment		(267)
The following items are not inflows of budgetary resources but are		
revenue for financial reporting purposes:		
Noncash commodities and electronic food stamp benefits		1,393,827
Revenues collected for other governments		101,886
Unanticipated receipts		940
Noncash revenues		11,829
Other		(13,979)
Biennium total revenues		35,172,994
Nonappropriated activity		5,378
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$	35,178,372
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "Total Charges to Appropriations"		
from the Budgetary Comparison Schedule	$	34,113,386
Differences - budget to GAAP:		
The following items are outflows of budgetary resources but are		
not expenditures for financial reporting purposes:		
Appropriated transfers to other funds		(1,470,174)
Other transfers to other funds		(1,170,570)
Appropriated loan disbursements		(89)
The following items are not outflows of budgetary resources but are		
recorded as current expenditures for financial reporting purposes:		
Noncash commodities and electronic food stamp benefits		1,393,827
Distributions to other governments		101,886
Certificates of participation and capital lease acquisitions		21,061
Expenditures related to unanticipated receipts		940
Other		6,664
Biennium total expenditures		32,996,931
Nonappropriated activity		341,424
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$	33,338,355

BUDGETARY COMPARISON SCHEDULE
Higher Education Special Revenue Fund

Budgetary Comparison Schedule
Higher Education Special Revenue Fund
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 393,333	$ 393,333	$ 393,333	$ —
Resources				
Taxes	520,751	517,499	308,735	(208,764)
Other contracts and grants	600	450	—	(450)
Charges for services	—	878	—	(878)
Investment income (loss)	2,808	3,503	1,384	(2,119)
Miscellaneous revenue	2,272	2,173	—	(2,173)
Transfers from other funds	315,354	292,896	160,305	(132,591)
Total Resources	1,235,118	1,210,732	863,757	(346,975)
Charges To Appropriations				
Human services	14,192	14,190	—	14,190
Education	773,403	1,026,926	399,294	627,632
Transfers to other funds	41,112	41,111	23,307	17,804
Total Charges To Appropriations	828,707	1,082,227	422,601	659,626
Excess Available For Appropriation Over (Under) Charges To Appropriations	406,411	128,505	441,156	312,651
Reconciling Items				
Noncash activity (net)	—	—	25,116	25,116
Nonappropriated fund balances	—	—	2,334,729	2,334,729
Changes in reserves (net)	—	—	(9,740)	(9,740)
Total Reconciling Items	—	—	2,350,105	2,350,105
Budgetary Fund Balance, June 30	$ 406,411	$ 128,505	$ 2,791,261	$ 2,662,756

Higher Education Special Revenue Fund - Budget to GAAP Reconciliation

Higher Education Special Revenue Fund - Budget to GAAP Reconciliation
Higher Education Special Revenue Fund
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

Sources/Inflows of Resources	
Actual amounts (budgetary basis) "Total Resources"	
from the Budgetary Comparison Schedule	$ 863,757
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not	
revenue for financial reporting purposes:	
Transfers from other funds	(160,305)
Budgetary fund balance at the beginning of the biennium, as restated	(393,333)
Biennium total revenues	310,119
Nonappropriated activity	5,510,231
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 5,820,350
Uses/Outflows of Resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations"	
from the Budgetary Comparison Schedule	$ 422,601
Differences - budget to GAAP:	
The following items are outflows of budgetary resources but are	
not expenditures for financial reporting purposes:	
Appropriated transfers to other funds	(47,430)
Other transfers to other funds	(23,307)
Biennium total expenditures	351,864
Nonappropriated activity	5,423,715
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 5,775,579

BUDGETARY INFORMATION

Notes to Required Supplementary Information

GENERAL BUDGETARY POLICIES AND PROCEDURES

The Governor is required to submit a budget to the Legislature no later than December 20 of the year preceding odd-numbered year sessions of the Legislature.

The budget is a proposal for expenditures in the ensuing biennial period based upon anticipated revenues from the sources and rates existing by law at the time of submission of the budget. The Governor may additionally submit, as an appendix to the budget, a proposal for expenditures in the ensuing biennium from revenue sources derived from proposed changes in existing statutes.

The appropriated budget and any necessary supplemental budgets are legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. Operating appropriations cover either the entire biennium or a single fiscal year in the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency, and project level.

The legal level of budgetary control is at the fund/account, agency, and appropriation level, with administrative controls established at lower levels of detail in certain instances. The accompanying budgetary schedule is not presented at the legal level of budgetary control. This is due to the large number of appropriations within individual agencies that would make such a presentation in the accompanying financial schedule extremely cumbersome. Section 2400.121 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards provides for the preparation of a separate report in these extreme cases.

For the state of Washington, a separate report has been prepared for the 2017-19 biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures, and estimated versus actual revenues and other financing sources (uses) for appropriated funds/accounts at agency and appropriation level are presented in the Budget-to-Actual Detail Report for governmental funds. The report is available on line at https://www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report/2018-comprehensive-annual-financial-report.

Legislative appropriations are strict legal limits on expenditures; over-expenditures are prohibited. All appropriated and certain nonappropriated funds/accounts are further controlled by the executive branch through the allotment process. This process allocates the expenditure plan into monthly allotments by program, source of funds, and object of expenditure. State law does not preclude the over-expenditure of allotments.

Proprietary funds/accounts can earn revenues and incur expenses (i.e., depreciation or cost of goods sold) not covered by the allotment process. Budget estimates are generally made outside the allotment process according to prepared business plans. These proprietary fund/account business plan estimates are adjusted only at the beginning of each fiscal year.

Additional fiscal control is exercised through various means. OFM is authorized to estimate revenue and make expenditure allotments based on availability of unanticipated receipts, mainly federal government grant increases made during a fiscal year.

Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at fiscal year-end are reported as restricted, committed, or assigned fund balance.

Budgetary Reporting vs. GAAP Reporting

Governmental funds are budgeted materially in conformance with generally accepted accounting principles. However, the presentation in the accompanying budgetary schedules is different in certain respects from the corresponding Statements of Revenues, Expenditures, and Changes in Fund Balance (governmental operating statement). In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities. Expenditures are classified based on whether the appropriation is from the operating or capital budget. Expenditures funded by operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation. Expenditures funded by capital budget appropriations are reported as capital outlays.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are capital asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Certain governmental activities are excluded from the budgetary schedules because they are not appropriated. These activities include activities designated as nonappropriated by the Legislature. Nonappropriated activities can represent a portion of a fund such as the Higher Education Special Revenue Fund or all of a fund such as the Higher Education Endowment and Tobacco Settlement Securitization Bond Debt Service Funds. Additionally, certain items including federal surplus food commodities, electronic food stamp benefits, and resources collected and distributed to other governments are also excluded because they are not appropriated.

Further, certain expenditures are appropriated as operating transfers. These transfers are reported as operating transfers on the budgetary schedules and as expenditures on the governmental operating statements.

In the General Fund, Budgetary Fund Balance equals restricted fund balance reduced by a portion that is not available for budgeting, committed, and unassigned fund balances as reported on the Governmental Funds Balance Sheet. In the Higher Education Special Revenue Fund, Budgetary Fund Balance equals the sum of restricted and committed fund balance as reported on the Governmental Funds Balance Sheet. In all other funds except Wildlife and Natural Resources, Budgetary Fund Balance equals total fund balance less nonspendable fund balance as reported on the Governmental Funds Balance Sheet. The Budgetary Fund Balance in the Wildlife and Natural Resources fund is further reduced by a portion of restricted fund balance that is not available for budgeting.

Single Employer Plans

Schedule of Changes in Net Pension Liability and Related Ratios
Washington State Patrol Retirement System - Plan 1/2

Last Five Measurement Years*

(expressed in thousands)

	2017	2016	2015	2014	2013
Total Pension Liability					
Service cost	$ 18,474	$ 16,534	$ 16,633	$ 18,041	N/A
Interest	90,560	83,373	80,037	75,249	N/A
Changes of benefit terms	4,830	1,947	2,258	—	N/A
Differences between expected and actual experience	23,702	(10,431)	8,883	—	N/A
Changes in assumptions	20,921	2	17	—	N/A
Benefit payments, including refunds of member contributions	(56,821)	(54,159)	(50,075)	(47,510)	N/A
Net Change in Total Pension Liability	101,666	37,266	57,753	45,780	N/A
Total Pension Liability - Beginning	1,167,443	1,130,177	1,072,424	1,026,644	N/A
Total Pension Liability - Ending (a)	$ 1,269,109	$ 1,167,443	$ 1,130,177	$ 1,072,424	$ 1,026,644
Plan Fiduciary Net Position					
Contributions - employer	$ 7,587	$ 7,044	$ 6,679	$ 6,587	N/A
Contributions - employee	10,454	8,895	6,323	6,555	N/A
Net investment income	151,021	25,352	49,046	176,856	N/A
Benefit payments, including refunds of employee contributions	(56,821)	(54,159)	(50,075)	(47,510)	N/A
Administrative expense	(53)	(60)	(67)	(84)	N/A
Other	524	429	293	509	N/A
Net Change in Plan Fiduciary Net Position	112,712	(12,499)	12,199	142,913	N/A
Plan Fiduciary Net Position - Beginning	1,098,127	1,110,626	1,098,427	955,514	N/A
Plan Fiduciary Net Position - Ending (b)	$ 1,210,839	$ 1,098,127	$ 1,110,626	$ 1,098,427	$ 955,514
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 58,270	$ 69,316	$ 19,551	$ (26,003)	$ 71,130
Plan Fiduciary Net Position as a percentage of the total pension liability /(asset)	95.41%	94.06%	98.27%	102.42%	93.07%
Covered-employee payroll	$ 93,053	$ 86,660	$ 84,388	$ 85,046	$ 81,895
State's net pension liability/(asset) as a percentage of covered-employee payroll	62.62%	79.99%	23.17%	-30.58%	86.86%

N/A indicates data not available.

*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Changes in Net Pension Liability and Related Ratios
Judicial Retirement System
Last Five Measurement Years*
(expressed in thousands)

	2017	2016	2015	2014	2013
Total Pension Liability					
Service cost	$ —	$ —	$ —	$ —	N/A
Interest	2,874	3,704	4,382	4,319	N/A
Changes of benefit terms	—	—	—	—	N/A
Differences between expected and actual experience	1,047	20	1,590	—	N/A
Changes in assumptions	(6,329)	8,737	4,335	—	N/A
Benefit payments, including refunds of employee contributions	(8,723)	(9,131)	(9,336)	(9,480)	N/A
Net Change in Total Pension Liability	(11,131)	3,330	971	(5,161)	N/A
Total Pension Liability - Beginning	104,642	101,312	100,341	105,502	N/A
Total Pension Liability - Ending (a)	$ 93,511	$ 104,642	$ 101,312	$ 100,341	$ 105,502
Plan Fiduciary Net Position					
Contributions - employer	$ 9,300	$ 9,500	$ 10,600	$ 10,600	N/A
Contributions - employee	—	—	—	—	N/A
Net investment income	45	74	38	25	N/A
Benefit payments, including refunds of employee contributions	(8,723)	(9,131)	(9,336)	(9,480)	N/A
Administrative expense	—	(1)	—	—	N/A
Other	—	—	—	—	N/A
Net Change in Plan Fiduciary Net Position	622	442	1,302	1,145	N/A
Plan Fiduciary Net Position - Beginning	6,775	6,333	5,031	3,886	N/A
Plan Fiduciary Net Position - Ending (b)	$ 7,397	$ 6,775	$ 6,333	$ 5,031	$ 3,886
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 86,114	$ 97,867	$ 94,979	$ 95,310	$ 101,616
Plan Fiduciary Net Position as a percentage of the total pension liability/(asset)	7.91%	6.47%	6.25%	5.01%	3.68%
Covered-employee payroll (1)	N/A	N/A	N/A	N/A	$ 160
State's net pension liability/(asset) as a percentage of covered-employee payroll (1)	N/A	N/A	N/A	N/A	63510%

N/A indicates data not available.

(1) Covered-employee payroll is not applicable because there are no active plan employees.

*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Changes in Net Pension Liability and Related Ratios
Judges' Retirement Fund
Last Five Measurement Years*
(expressed in thousands)

	2017	2016	2015	2014	2013
Total Pension Liability					
Service cost	$ —	$ —	$ —	$ —	N/A
Interest	88	116	138	137	N/A
Changes of benefit terms	—	—	—	—	N/A
Differences between expected and actual experience	194	123	182	—	N/A
Changes in assumptions	(129)	181	95	—	N/A
Benefit payments, including refunds of employee contributions	(402)	(440)	(444)	(444)	N/A
Net Change in Total Pension Liability	(249)	(20)	(29)	(307)	N/A
Total Pension Liability - Beginning	3,097	3,117	3,146	3,453	N/A
Total Pension Liability - Ending (a)	$ 2,848	$ 3,097	$ 3,117	$ 3,146	$ 3,453
Plan Fiduciary Net Position					
Contributions - employer	$ 499	$ 501	$ —	$ —	N/A
Contributions - employee	—	—	—	—	N/A
Net investment income	4	6	4	7	N/A
Benefit payments, including refunds of employee contributions	(402)	(440)	(444)	(444)	N/A
Administrative expense	—	—	—	—	N/A
Other	—	—	—	—	N/A
Net Change in Plan Fiduciary Net Position	101	67	(440)	(437)	N/A
Plan Fiduciary Net Position - Beginning	582	515	955	1,392	N/A
Plan Fiduciary Net Position - Ending (b)	$ 683	$ 582	$ 515	$ 955	$ 1,392
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 2,165	$ 2,515	$ 2,602	$ 2,191	$ 2,061
Plan Fiduciary Net Position as a percentage of the total pension liability/(asset)	23.98%	18.79%	16.52%	30.36%	40.31%
Covered-employee payroll [(1)]	N/A	N/A	N/A	N/A	N/A
State's net pension liability/(asset) as a percentage of covered-employee payroll [(1)]	N/A	N/A	N/A	N/A	N/A

N/A indicates data not available.

[(1)] Covered-employee payroll is not applicable because there are no active plan employees.

* This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Single Employer Plans

Schedule of Contributions
Washington State Patrol Retirement System - Plan 1/2
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarial Determined Contributions	Contribution Deficiency (Excess)	Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2018	$ 16,648	$ 14,203	$ 2,445	$ 109,243	13.00%
2017	8,179	7,587	592	93,053	8.15%
2016	7,618	7,044	574	86,660	8.13%
2015	6,810	6,679	131	84,388	7.91%
2014	6,677	6,587	90	85,046	7.75%
2013	2,500	6,478	(3,978)	81,895	7.91%
2012	2,900	6,454	(3,554)	81,578	7.91%
2011	2,300	5,251	(2,951)	81,882	6.41%
2010	6,600	5,271	1,329	82,764	6.37%
2009	5,000	6,371	(1,371)	82,719	7.70%

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Single Employer Plans

Schedule of Contributions
Judicial Retirement System
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarial Determined Contributions	Contribution Deficiency (Excess)	Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2018	$ 8,317	$ 8,700	$ (383)	$ —	N/A
2017	8,761	9,300	(539)	—	N/A
2016	8,999	9,500	(501)	—	N/A
2015	9,132	10,600	(1,468)	—	N/A
2014	9,205	10,600	(1,395)	—	N/A
2013	21,700	10,112	11,588	160	6320.00%
2012	22,600	8,131	14,469	407	1997.79%
2011	18,600	10,906	7,694	611	1784.94%
2010	20,400	11,649	8,751	1,053	1106.27%
2009	21,200	10,305	10,895	1,394	739.24%

Contributions in relation to the Actuarially Determined Contributions are based on state contributions. Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

N/A indicates data not available. Beginning in 2014, there are no active members.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Single Employer Plans

Schedule of Contributions
Judges' Retirement Fund
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarial Determined Contributions	Contribution Deficiency (Excess)	Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2018	$ 395	$ 500	$ (105)	$ —	N/A
2017	439	499	(60)	—	N/A
2016	444	501	(57)	—	N/A
2015	539	—	539	—	N/A
2014	425	—	425	—	N/A
2013	400	—	400	—	N/A
2012	300	—	300	—	N/A
2011	100	—	100	—	N/A
2010	—	—	—	—	N/A
2009	—	—	—	—	N/A

Contributions in relation to the Actuarially Determined Contributions are based on state contributions. Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

N/A indicates data not available. There are no active employees.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30 *
(expressed in thousands)

	2017	2016	2015	2014
State PERS Plan 1 employers' proportion of the net pension liability/(asset)	41.88%	41.99%	41.57%	42.37%
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset)	$ 1,987,268	$ 2,255,244	$ 2,174,623	$ 2,134,189
Covered payroll of employees participating in PERS Plan 1	$ 85,341	$ 103,235	$ 120,686	$ 143,836
Covered payroll of employees participating in PERS Plan 2/3	4,928,806	4,648,843	4,363,171	4,215,934
Covered payroll of employees participating in PSERS Plan 2	175,395	155,768	140,977	130,172
Covered-Employee Payroll	$ 5,189,542	$ 4,907,846	$ 4,624,834	$ 4,489,942
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	38.29%	45.95%	47.02%	47.53%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	61.24%	57.03%	59.10%	61.19%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date of June 30 *
(expressed in thousands)

	2017	2016	2015	2014
State PERS Plan 2/3 employers' proportion of the net pension liability/(asset)	50.20%	49.72%	49.10%	49.27%
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$ 1,744,067	$ 2,503,313	$ 1,754,418	$ 995,856
State PERS Plan 2/3 employers' covered-employee payroll	$ 4,928,806	$ 4,648,843	$ 4,363,171	$ 4,215,934
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	35.39%	53.85%	40.21%	23.62%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	90.97%	85.82%	89.20%	93.29%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 1
Measurement Date of June 30 *
(expressed in thousands)

	2017	2016	2015	2014
State TRS Plan 1 employers' proportion of the net pension liability/(asset)	1.03%	0.97%	0.86%	0.78%
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset)	$ 31,172	$ 33,026	$ 27,186	$ 22,924
Covered payroll of employees participating in TRS Plan 1	$ 2,475	$ 5,735	$ 3,913	$ 4,611
Covered payroll of employees participating in TRS Plan 2/3	52,534	41,803	33,705	25,673
Covered-employee payroll	$ 55,009	$ 47,538	$ 37,618	$ 30,284
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	56.67%	69.47%	72.27%	75.70%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	65.58%	62.07%	65.70%	68.77%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 2/3
Measurement Date of June 30 *
(expressed in thousands)

	2017	2016	2015	2014
State TRS Plan 2/3 employers' proportion of the net pension liability/(asset)	0.96%	0.87%	0.72%	0.59%
State TRS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$ 8,873	$ 11,896	$ 6,107	$ 1,913
State TRS Plan 2/3 employers' covered-employee payroll	$ 52,534	$ 41,803	$ 33,705	$ 25,673
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	16.89%	28.46%	18.12%	7.45%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	93.14%	88.72%	92.48%	96.81%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Safety Employees' Retirement System (PSERS) Plan 2
Measurement Date of June 30 *
(expressed in thousands)

	2017	2016	2015	2014
State PSERS Plan 2 employers' proportion of the net pension liability/(asset)	49.14%	47.97%	47.93%	48.26%
State PSERS Plan 2 employers' proportionate share of the net pension liability (asset)	$ 9,628	$ 20,386	$ 8,748	$ (6,988)
State PSERS Plan 2 employers' covered-employee payroll	$ 175,395	$ 155,768	$ 140,977	$ 130,172
State PSERS Plan 2 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	5.49%	13.09%	6.21%	-5.37%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	96.26%	90.41%	95.08%	105.01%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1
Measurement Date of June 30 *
(expressed in thousands)

	2017	2016	2015	2014
State's nonemployer proportion of the net pension liability/(asset)	87.12%	87.12%	87.12%	87.12%
State as nonemployer contributing entity proportionate share of the net pension liability/(asset)	$ (1,321,802)	$ (897,585)	$ (1,049,988)	$ (1,056,583)
Plan fiduciary net position as a percentage of the total pension liability/(asset)	135.96%	123.74%	127.36%	126.91%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Measurement Date of June 30 *
(expressed in thousands)

	2017	2016	2015	2014
State LEOFF Plan 2 employers' proportion of the net pension liability/(asset)	0.85%	0.88%	0.83%	0.84%
State as nonemployer contributing entity proportion of the net pension liability/(asset)	39.35%	39.46%	39.80%	39.52%
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset)	$ (11,823)	$ (5,113)	$ (8,580)	$ (11,164)
State as nonemployer contributing entity total proportionate share of the net pension liability/(asset)	(545,988)	(229,538)	(409,091)	(524,419)
Total	$ (557,811)	$ (234,651)	$ (417,671)	$ (535,583)
State LEOFF Plan 2 employers' covered-employee payroll	$ 20,396	$ 19,828	$ 18,744	$ 18,259
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	-57.97%	-25.79%	-45.77%	-61.14%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	113.36%	106.04%	111.67%	116.75%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended June 30*
(dollars in thousands)

	2018	2017	2016	2015	2014
Contractually Required Contributions (CRC)	$ 280,513	$ 251,924	$ 238,158	$ 191,618	$ 188,639
Employer contributions related to covered payroll of employees participating in PERS plan 1	8,769	9,537	11,385	11,072	12,964
Employer UAAL contributions related to covered payroll of employees participating in PERS plan 2/3 and PSERS plan 2	271,744	242,387	226,773	180,546	175,675
Contributions in relation to the actuarially determined contributions	280,513	251,924	238,158	191,618	188,639
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll of employees participating in PERS plan 1	$ 69,330	$ 85,341	$ 103,235	$ 120,686	$ 143,836
Covered payroll of employees participating in PERS plan 2/3	5,237,495	4,928,806	4,648,843	4,363,171	4,215,935
Covered payroll of employees participating in PSERS plan 2	198,511	175,395	155,768	140,977	130,172
Covered-employee payroll	$5,505,336	$5,189,542	$4,907,846	$4,624,834	$4,489,943
Contributions as a percentage of covered-employee payroll	5.10%	4.85%	4.85%	4.14%	4.20%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 2/3
Fiscal Year Ended June 30*
(dollars in thousands)

	2018	2017	2016	2015	2014
Contractually Required Contributions	$ 389,001	$ 306,591	$ 287,049	$ 219,395	$ 209,455
Contributions in relation to the contractually required contributions	389,001	306,591	287,049	219,395	209,455
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered-employee payroll	$5,237,495	$4,928,806	$4,648,843	$4,363,171	$4,215,935
Contributions as a percentage of covered-employee payroll	7.43%	6.22%	6.17%	5.03%	4.97%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 1
Fiscal Year Ended June 30*
(dollars in thousands)

	2018	2017	2016	2015	2014
Contractually Required Contributions	$ 4,582	$ 3,608	$ 2,940	$ 1,920	$ 1,537
Employer contributions related to covered payroll of employees participating in TRS plan 1	272	326	369	388	451
Employer UAAL contributions related to covered payroll of employees participating in TRS plan 2/3	4,310	3,282	2,571	1,532	1,086
Contributions in relation to the actuarially determined contributions	4,582	3,608	2,940	1,920	1,537
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll of employees participating in TRS plan 1	$ 1,893	$ 2,475	$ 5,735	$ 3,913	$ 4,611
Covered payroll of employees participating in TRS plan 2/3	61,292	52,534	41,803	33,705	25,673
Covered-employee payroll	$ 63,185	$ 55,009	$ 47,538	$ 37,618	$ 30,284
Contributions as a percentage of covered-employee payroll	7.25%	6.56%	6.18%	5.10%	5.08%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 2/3
Fiscal Year Ended June 30*
(dollars in thousands)

	2018	2017	2016	2015	2014
Contractually Required Contributions	$ 4,699	$ 3,542	$ 2,827	$ 1,924	$ 1,454
Contributions in relation to the contractually required contributions	4,699	3,542	2,827	1,924	1,454
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered-employee payroll	$ 61,292	$ 52,534	$ 41,803	$ 33,705	$ 25,673
Contributions as a percentage of covered-employee payroll	7.67%	6.74%	6.76%	5.71%	5.66%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of Contributions
Public Safety Employees' Retirement System (PSERS) Plan 2
Fiscal Year Ended June 30*
(dollars in thousands)

	2018	2017	2016	2015	2014
Contractually Required Contributions	$ 13,330	$ 11,465	$ 10,233	$ 8,932	$ 8,100
Contributions in relation to the contractually required contributions	13,330	11,465	10,233	8,932	8,100
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered-employee payroll	$ 198,511	$ 175,395	$ 155,768	$ 140,977	$ 130,172
Contributions as a percentage of covered-employee payroll	6.72%	6.54%	6.57%	6.34%	6.22%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Fiscal Year Ended June 30*
(dollars in thousands)

	2018	2017	2016	2015	2014
Contractually Required Contributions	$ 1,512	$ 1,346	$ 1,345	$ 1,224	$ 1,184
Contributions in relation to the contractually required contributions	1,512	1,346	1,345	1,224	1,184
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered-employee payroll	$ 21,892	$ 20,396	$ 19,828	$ 18,744	$ 18,259
Contributions as a percentage of covered-employee payroll	6.91%	6.60%	6.78%	6.53%	6.48%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Notes to Required Supplementary Information

Methods and assumptions used in calculations of Actuarially Determined Contributions (ADC) for PERS, TRS, LEOFF, and WSPRS. The Office of the State Actuary (OSA) calculates the ADC based on the results of an actuarial valuation consistent with the state's funding policy defined under chapter 41.45 of the Revised Code of Washington(RCW). Consistent with the state's contribution rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2013, valuation date, completed in the fall of 2014, determined the ADC for the period beginning July 1, 2015, and ending June 30, 2017.

Methods and assumptions used in calculations of the ADC for JRS and Judges. The OSA calculates the ADC based on the results of an actuarial valuation, and sets the ADC equal to the expected benefit payments from the plan. Consistent with the state's funding policy defined under RCWs 2.10.90 and 2.12.60, the Legislature makes biennial appropriations in order to ensure the fund is solvent to make the necessary benefit payments.

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates may be different pending the actions of the governing bodies. For instance, for the period beginning July 1, 2015, and ending June 30, 2017, the contribution rates adopted by the Pension Funding Council, and unchanged by the Legislature, reflect a phase-in of the increase to contribution rates that resulted from a change to the mortality assumption. The increase is expected to be phased in over three biennia for PERS 1/2/3, TRS 1/2/3, PSERS 2, and WSPRS 1/2.

For cost-sharing plans, OSA calculates the Contractually Required Contributions (CRC) using the same assumptions and methods as the ADC except the CRC reflects the adopted contribution rates for the time period shown, which may differ from the contribution rates produced for the ADC.

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Net Pension Liability
Last Six Fiscal Years*
(expressed in thousands)

	2018	2017	2016	2015	2014	2013
Total Pension Liability - Ending	$ 192,440	$ 192,700	$ 191,494	$ 188,584	$ 186,527	$ 183,578
Plan Fiduciary Net Position - Ending	245,284	229,800	208,663	207,855	204,195	177,134
Plan's Net Pension Liability/(Asset) - Ending	$ (52,844)	$ (37,100)	$ (17,169)	$ (19,271)	$ (17,668)	$ 6,444
Plan fiduciary net position as a percentage of the total pension liability/(asset)	127.46%	119.25%	108.97%	110.22%	109.47%	96.49%
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Plan's net pension liability/(asset) as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

N/A indicates data not applicable. This is a volunteer organization.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Change in Net Pension Liability

Last Six Fiscal Years*

(expressed in thousands)

	2018	2017	2016	2015	2014	2013
Total Pension Liability						
Service cost	$ 853	$ 869	$ 893	$ 919	$ 1,240	N/A
Interest	13,151	12,946	12,887	12,656	12,480	N/A
Changes of benefit terms	—	—	—	—	—	N/A
Differences between expected and actual experience	(2,707)	(1,998)	(176)	(2,948)	—	N/A
Changes in assumptions	16	463	101	1,931	—	N/A
Benefit payments, including refunds of member contributions	(11,573)	(11,074)	(10,795)	(10,501)	(10,771)	N/A
Net Change in Total Pension Liability	(260)	1,206	2,910	2,057	2,949	N/A
Total Pension Liability - Beginning	192,700	191,494	188,584	186,527	183,578	N/A
Total Pension Liability - Ending	$192,440	$192,700	$191,494	$188,584	$186,527	$183.578
Plan Fiduciary Net Position						
Contributions - Municipalities	$ 823	$ 848	$ 918	$ 913	$ 953	N/A
Contributions - Member	65	69	67	76	95	N/A
Contributions - State as nonemployer contributing entity	7,227	6,646	7,235	5,903	6,383	N/A
Net investment income	19,860	26,114	4,588	8,289	31,892	N/A
Benefit payments, including refunds of member contributions	(11,573)	(11,074)	(10,795)	(10,501)	(10,771)	N/A
Administrative expense	(918)	(1,466)	(1,205)	(1,020)	(1,469)	N/A
Other	—	—	—	—	(22)	N/A
Net Change in Plan Fiduciary Net Position	15,484	21,137	808	3,660	27,061	N/A
Plan Fiduciary Net Position - Beginning	229,800	208,663	207,855	204,195	177,134	N/A
Plan Fiduciary Net Position - Ending	$245,284	$229,800	$208,663	$207,855	$204,195	$ 177,134
Plan's Net Pension Liability/(Asset) - Ending	$ (52,844)	$ (37,100)	$ (17,169)	$ (19,271)	$ (17,668)	$ 6,444

N/A indicates data not available.

*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Contributions
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarial Determined Contributions	Contribution Deficiency (Excess)
2018	$ 3,523	$ 8,050	$ (4,527)
2017	4,528	7,494	(2,966)
2016	6,846	8,153	(1,307)
2015	6,653	6,816	(163)
2014	6,421	7,336	(915)
2013	4,600	6,946	(2,346)
2012	4,700	6,484	(1,784)
2011	5,300	6,778	(1,478)
2010	2,800	6,787	(3,987)
2009	2,500	6,223	(3,723)

Notes: Neither covered-employee payroll nor contributions as a percentage of covered-employee payroll are applicable. This is a volunteer organization.

Beginning in 2017, the methodology for determining the Actuarially Determined Contributions was revised to reflect the timing of the contributions based upon the Board's adoption cycle and the actuarial funding methods selected.

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Investment Returns
Last Five Fiscal Years*

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment	8.84%	13.26%	2.19%	4.05%	18.50%

*This schedule is to be built prospectively until it contains ten years of data.

Source: Washington State Office of the State Actuary

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund
Notes to Required Supplementary Information

The Office of the State Actuary (OSA) calculates the Actuarially Determined Contributions (ADC) based on the results of an actuarial valuation consistent with funding policy defined under chapter 41.24 RCW and adopted policies made by the State Board for Volunteer Fire Fighters and Reserve Officers. Consistent with the Board's contribution rate adoption process, the results of an actuarial valuation determine the ADC two years after the valuation date. For example, the actuarial valuation with a June 30, 2016, valuation date, completed in the fall of 2017, determines the ADC for the period ending June 30, 2018.

Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
University of Washington
Fiscal Years Ended and Measurement Date June 30*
(expressed in thousands)

	2018	2017
Total Pension Liability		
Service cost	$ 14,788	$ 19,891
Interest	16,128	15,097
Changes of benefit terms	—	—
Differences between expected and actual experience	(33,953)	(74,918)
Changes in assumptions	(17,105)	(28,553)
Benefit payments	(6,130)	(5,136)
Other	—	—
Net Change in Total Pension Liability	(26,272)	(73,619)
Total Pension Liability - Beginning	438,753	512,372
Total Pension Liability - Ending	$ 412,481	$ 438,753
Covered-employee payroll	$ 759,688	$ 801,161
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	54.30 %	54.76 %

*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Changes in Total Pension Liability and Related Ratios
Washington State University
Fiscal Years Ended and Measurement Date June 30*
(expressed in thousands)

	2018	2017
Total Pension Liability		
Service cost	$ 2,763	$ 3,803
Interest	3,261	3,140
Changes of benefit terms	—	—
Differences between expected and actual experience	(7,171)	(16,389)
Changes in assumptions	(3,255)	(6,574)
Benefit payments	(2,181)	(1,890)
Other	—	—
Net Change in Total Pension Liability	(6,583)	(17,910)
Total Pension Liability - Beginning	89,414	107,324
Total Pension Liability - Ending	$ 82,831	$ 89,414
Covered-employee payroll	$ 186,365	$ 196,596
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	44.45 %	45.48 %

*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
Central Washington University
Fiscal Years Ended and Measurement Date June 30*
(expressed in thousands)

	2018	2017
Total Pension Liability		
Service cost	$ 91	$ 150
Interest	299	293
Changes of benefit terms	—	—
Differences between expected and actual experience	(466)	(1,270)
Changes in assumptions	(272)	(616)
Benefit payments	(412)	(411)
Other	—	—
Net Change in Total Pension Liability	(760)	(1,854)
Total Pension Liability - Beginning	8,477	10,331
Total Pension Liability - Ending	$ 7,717	$ 8,477
Covered-employee payroll	$ 10,368	$ 11,028
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	74.43 %	76.87 %

*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Changes in Total Pension Liability and Related Ratios
Eastern Washington University
Fiscal Years Ended and Measurement Date June 30*
(expressed in thousands)

	2018	2017
Total Pension Liability		
Service cost	$ 477	$ 658
Interest	429	420
Changes of benefit terms	—	—
Differences between expected and actual experience	3,867	(2,852)
Changes in assumptions	(621)	(647)
Benefit payments	(202)	(140)
Other	—	—
Net Change in Total Pension Liability	3,950	(2,561)
Total Pension Liability - Beginning	11,601	14,162
Total Pension Liability - Ending	$ 15,551	$ 11,601
Covered-employee payroll	$ 34,114	$ 38,505
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	45.59 %	30.13 %

*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
The Evergreen State College
Fiscal Years Ended and Measurement Date June 30*
(expressed in thousands)

	2018	2017
Total Pension Liability		
Service cost	$ 210	$ 296
Interest	237	230
Changes of benefit terms	—	—
Differences between expected and actual experience	(565)	(1,327)
Changes in assumptions	(229)	(387)
Benefit payments	(183)	(158)
Other	—	—
Net Change in Total Pension Liability	(530)	(1,346)
Total Pension Liability - Beginning	6,510	7,856
Total Pension Liability - Ending	$ 5,980	$ 6,510
Covered-employee payroll	$ 15,978	$ 16,941
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	37.43 %	38.43 %

*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Changes in Total Pension Liability and Related Ratios
Western Washington University
Fiscal Years Ended and Measurement Date June 30*
(expressed in thousands)

	2018	2017
Total Pension Liability		
Service cost	$ 737	$ 1,057
Interest	837	842
Changes of benefit terms	—	—
Differences between expected and actual experience	(2,233)	(5,278)
Changes in assumptions	(819)	(2,126)
Benefit payments	(380)	(298)
Other	—	—
Net Change in Total Pension Liability	(1,858)	(5,803)
Total Pension Liability - Beginning	22,820	28,623
Total Pension Liability - Ending	$ 20,962	$ 22,820
Covered-employee payroll	$ 52,750	$ 55,840
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	39.74 %	40.87 %

*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
State Board for Community and Technical Colleges
Fiscal Years Ended and Measurement Date June 30*
(expressed in thousands)

	2018	2017
Total Pension Liability		
Service cost	$ 3,827	$ 5,417
Interest	3,517	3,514
Changes of benefit terms	—	—
Differences between expected and actual experience	(10,402)	(25,336)
Changes in assumptions	(3,519)	(5,980)
Benefit payments	(1,300)	(902)
Other	—	—
Net Change in Total Pension Liability	(7,877)	(23,287)
Total Pension Liability - Beginning	95,050	118,337
Total Pension Liability - Ending	$ 87,173	$ 95,050
Covered-employee payroll	$ 353,910	$ 375,725
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	24.63 %	25.30 %

*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Higher Education Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

The Higher Education Supplemental Retirement Plans are financed on a pay-as-you-go basis. State institutions of higher education make direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals. No assets are accumulated in trusts or equivalent arrangements.

Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, salary growth, and the variable income investment return.

Schedule of Changes in Total OPEB Liability and Related Ratios As of the Measurement Date June 30* *(expressed in thousands)*		
		2017
Total OPEB Liability		
Service cost	$	394,955
Interest		184,999
Changes in benefit terms		—
Difference between expected and actual experience		—
Changes in assumptions		(902,431)
Benefit payments		(94,279)
Other		—
Net Changes in Total OPEB Liability		(416,755)
Total OPEB Liability - Beginning		6,242,577
Total OPEB Liability - Ending	$	5,825,822
Covered-employee payroll	$	7,878,188
Total OPEB liability as a percentage of covered-employee payroll		73.95 %

*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding

Source: Washington State Office of the State Actuary

Notes to Required Supplementary Information

The Public Employee's Benefits Board OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis.

Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.

Infrastructure Assets Reported Using the Modified Approach

Condition Assessment

The state of Washington reports certain networks of infrastructure assets under the modified approach of the Governmental Accounting Standards Board Statement No. 34. Expenditures to maintain and preserve these assets are budgeted, recorded, and reported in lieu of depreciation expense. The state must meet the following requirements to report networks of assets under the modified approach:

- Maintain an up-to-date inventory of eligible infrastructure assets in an asset management system.
- Disclose the condition level at which assets are to be preserved or maintained, as established by administrative or executive policy, or by legislative action.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Document that assets are being preserved approximately at or above the disclosed condition level.
- Annually estimate the cost to maintain and preserve the assets at the established condition level.

Assets accounted for under the modified approach include the state's network of highway pavements, bridges, and rest areas. In fiscal year 2018, the state was responsible to maintain and preserve 20,810 pavement lane miles, 3,322 bridges, and 47 highway safety rest areas.

PAVEMENT CONDITION

The Washington State Department of Transportation (WSDOT) performs highway pavement assessments over a two year cycle utilizing three measurements to develop a scaled condition assessment: Pavement Structural Condition (PSC), International Roughness Index (IRI), and rutting.

The WSDOT uses the following rating scale for PSC:

Category	PSC Range	Description
Very Good	80 - 100	Little or no distress. Example: Flexible pavement with 5% of wheel track length having "hairline" severity alligator cracking will have a PSC of 80.
Good	60 - 79	Early stage deterioration. Example: Flexible pavement with 15% of wheel track length having "hairline" alligator cracking will have a PSC of 70.
Fair	40 - 59	This is the threshold value for rehabilitation. Example: Flexible pavement with 25% of wheel track length having "hairline" alligator cracking will have a PSC of 50.
Poor	20 - 39	Structural deterioration. Example: Flexible pavement with 25% of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 30.
Very Poor	0 - 19	Advanced structural deterioration. Example: Flexible pavement with 40% of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The IRI scale is measured in inches per mile. WSDOT assesses pavement with a ride performance measure less than 221 inches per mile to be in fair or better condition.

Rutting is measured in inches with a measurement of 0.58 inches or less assessed at a condition of fair or better.

PSC, IRI, and rutting are combined to rate a section of pavement which is assigned the lowest condition of any of the three indices.

The following table shows the combined conditions and the ratings for each index:

Category	PSC	IRI	Rutting
Very Good	80 - 100	< 96	< 0.24
Good	60 - 79	96 - 170	0.24 - 0.41
Fair	40 - 59	171 - 220	0.42 - 0.58
Poor	20 - 39	221 - 320	0.59 - 0.74
Very Poor	0 - 19	> 320	> 0.74

WSDOT's policy is to maintain 85 percent of pavements at a condition level of fair or better, based on an average condition level of the last three assessments. The following table shows pavement condition ratings for state highways:

Pavements Percentage in Fair or Better Condition Two Year Cycle Ending Calendar Year			
2017	2015	2013	Average of Last Three Assessments
93.2%	93.2%	92.8%	93.1%

The following table reflects the state's estimated and actual expenditures necessary to preserve state highways at the established condition level:

Pavements Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2018	2017	2016	2015	2014
Planned	$ 263,555	$ 304,040	$ 160,423	$ 173,716	$ 122,868
Actual	271,474	264,315	161,211	142,789	143,598
Variance	$ (7,919)	$ 39,725	$ (788)	$ 30,927	$ (20,730)
	-3.0%	13.1%	-0.5%	17.8%	-16.9%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about pavements, refer to WSDOT's website at: http://www.wsdot.wa.gov/Business/MaterialsLab/Pavements/default.htm.

BRIDGE CONDITION

WSDOT performs sample condition assessments on state-owned bridges in excess of 20 feet in length each year with all bridges inspected over a two year cycle. Underwater bridge components are inspected at least once every five years in accordance with Federal Highway Administration (FHWA) requirements.

WSDOT uses a performance measure established in FHWA's "Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges," which classifies the physical condition of bridges as good, fair, or poor based on structural sufficiency standards for the following bridge components: bridge superstructure, substructure, and deck. The appraisal data is collected in the National Bridge Inventory (NBI) and assigned a code from 0 to 9, with 0 being in a failed condition and 9 being in excellent condition.

Category	National Bridge Inventory Code	Description
Good	7 or 8	A range from no problems noted to some minor problems.
Fair	5 or 6	All primary structural elements are sound but may have deficiencies such as minor section loss, deterioration, cracking, spalling, or scour.
Poor	4 or less	Advanced deficiencies such as section loss, deterioration, cracking, spalling, scour, or seriously affected primary structural components.

WSDOT's policy is to maintain 90 percent of bridges at a condition level of fair or better, based on an average condition level of the last three assessments. The following table shows condition ratings for state bridges:

Bridges Percentage in Fair or Better Condition Two Year Cycle Ending Fiscal Year			
2017	2015	2013	Average of Last Three Assessments
91.8%	92.1%	91.4%	91.8%

The following table reflects the state's estimated and actual expenditures necessary to preserve the bridges at the established condition level:

Bridges Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2018	2017	2016	2015	2014
Planned	$ 106,595	$ 45,891	$ 75,160	$ 71,078	$ 92,192
Actual	87,068	45,088	66,339	64,060	87,271
Variance	$ 19,527	$ 803	$ 8,821	$ 7,018	$ 4,921
	18.3%	1.7%	11.7%	9.9%	5.3%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about bridges, refer to WSDOT's website at: http://www.wsdot.wa.gov/Bridge/Structures/.

SAFETY REST AREA CONDITION

WSDOT performs safety rest area condition assessments over a two calendar year cycle. Sites and buildings are divided into functional components that are assessed with a numerical rating of one to five. The rating is based on guidelines and parameters established by the WSDOT Capital Facilities Program and weighted by the criticality of the functional component.

WSDOT's policy is to maintain 95 percent of safety rest areas in a condition of fair or better. The following table shows condition ratings for safety rest areas:

Safety Rest Areas Percentage in Fair or Better Condition Two Year Cycle Ending Calendar Year			
2017 *	**2015**	**2013**	**Average of Last Three Assessments**
87.0%	100.0%	100.0%	95.7%

* Reporting methodology changed from fiscal year basis to calendar year basis to align with WSDOT accounting policy.

The following table reflects the state's estimated and actual expenditures necessary to preserve the safety rest areas at the established condition level:

Safety Rest Areas Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2018	**2017**	**2016**	**2015**	**2014**
Planned	$ 9,609	$ 9,964	$ 7,204	$ 8,463	$ 7,488
Actual	7,986	8,011	7,185	8,369	7,591
Variance	$ 1,622	$ 1,953	$ 19	$ 94	$ (103)
	16.9%	19.6%	0.3%	1.1%	-1.4%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about safety rest areas, refer to WSDOT's website at: http://www.wsdot.wa.gov/safety/restareas.

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State of Washington

Single Audit Report

For Fiscal Year Ended

June 30, 2018

Auditor’s Section

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Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

November 21, 2018

The Honorable Jay Inslee
Governor, State of Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated November 21, 2018.

As discussed in Note 2 to the financial statements, during the year ended June 30, 2018, the State implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As discussed in Note 1.D.1 to the financial statements, the statements include pension trust fund investments valued at $43.4 billion, which comprise 30.5 percent of total assets and 32.8 percent of net position of the aggregate discretely presented component units and remaining fund information. The fair values of these investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or, in the case of investments in partnerships, the general partners.

Our report includes a reference to other auditors who audited the financial statements of Department of Retirement Systems, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board, as described in our report on the State of Washington's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the University of Washington were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the University of Washington.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the State's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2018-001 to be material weaknesses.

We also noted certain matters that we have reported to the management of the State in a separate letter dated November 21, 2018.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the State's financial statements are free from material misstatement, we performed tests of the State's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests and the reports of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

STATE'S RESPONSE TO FINDINGS

The State's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The State's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

November 21, 2018

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Office of the Washington State Auditor

Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

State of Washington

July 1, 2017 through June 30, 2018

The Honorable Jay Inslee
State of Washington
Olympia, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the State of Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2018. The State's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

The State's basic financial statements include the operations of the Valley Medical Center (legal name is King County Public Hospital District No. 1), which expended $922,302 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2018. Our audit, described below, did not include the operations of the Valley Medical Center because it has arranged for a separate audit of its federal awards.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Adverse Opinion on Child Care and Development Fund Cluster (93.575 - Child Care and Development Block Grant and 93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund)

As described in Findings 2018-030, 2018-033, 2018-034, 2018-035, 2018-036 in the accompanying Schedule of Federal Award Findings and Questioned Costs, the State did not comply with requirements regarding its Child Care and Development Fund Cluster program for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions - Fraud Detection and Repayment, and Special Tests and Provisions - Health and Safety Requirements. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the program.

Adverse Opinion on Child Care and Development Fund Cluster (93.575 - Child Care and Development Block Grant and 93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund)

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the State did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Child Care and Development Fund Cluster program for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings: 2018-002, 2018-003, 2018-004, 2018-005, 2018-006, 2018-008, 2018-009, 2018-010, 2018-011, 2018-012, 2018-013, 2018-014, 2018-015, 2018-016, 2018-017, 2018-020, 2018-021, 2018-022, 2018-023, 2018-025, 2018-026, 2018-031, 2018-032, 2018-037, 2018-038, 2018-039, 2018-041, 2018-042, 2018-043, 2018-045, 2018-046, 2018-047, 2018-048, 2018-049, 2018-050, 2018-051, 2018-052, 2018-054, 2018-055, 2018-056, 2018-057, 2018-058, 2018-059, 2018-060 and 2018-061. Our opinion on each major federal program is not modified with respect to these matters.

State’s Response to Findings

The State’s responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The State’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2018-005, 2018-006, 2018-009, 2018-010, 2018-011, 2018-012, 2018-013, 2018-014, 2018-015, 2018-016, 2018-017, 2018-019, 2018-020, 2018-021, 2018-022, 2018-023, 2018-024, 2018-025, 2018-030, 2018-032, 2018-034, 2018-035, 2018-036, 2018-037, 2018-039, 2018-040, 2018-041, 2018-042, 2018-043, 2018-044, 2018-046, 2018-047, 2018-048, 2018-052, 2018-053, 2018-054, 2018-056, 2018-057, 2018-058, 2018-059, 2018-060 and 2018-061 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2018-007, 2018-018, 2018-026, 2018-027, 2018-028, 2018-029, 2018-030 and 2018-033 to be significant deficiencies.

State's Response to Findings

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

Purpose of this Report

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

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Washington as of and for the year ended June 30, 2018, and have issued our report thereon dated November 21, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Pat McCarthy

Pat McCarthy

Washington State Auditor

Olympia, WA

March 26, 2019

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

State of Washington
July 1, 2017 through June 30, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

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

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

Identification of Major Federal Programs:

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

CFDA No.	Program or Cluster Title
	SNAP Cluster
10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
10.665	Forest Service Schools and Roads Cluster – Schools and Roads - Grants to States
11.438	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program
12.401	National Guard Military Operations and Maintenance (O&M) Projects
16.575	Crime Victim Assistance
17.225	Unemployment Insurance
	Highway Planning and Construction Cluster
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
20.224	Federal Lands Access Program
	Federal Transit Cluster
20.500	Federal Transit Capital Investment Grants
20.507	Federal Transit Formula Grants
20.525	State of Good Repair Grants Program
20.526	Bus and Bus Facilities Formula Program
66.458	Clean Water State Revolving Fund Cluster - Capitalization Grants for Clean Water State Revolving Funds
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
93.067	Global AIDS

CFDA No.	Program or Cluster Title
93.558	TANF Cluster - Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
	Child Care and Development Fund Cluster
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.600	Head Start
93.658	Foster Care Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
	Medicaid Cluster
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	Disability Insurance / SSI Cluster - Social Security Disability Insurance
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $30,000,000.

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

State of Washington
July 1, 2017 through June 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding Number	Finding Title
2018-001	The State should improve internal controls over specific areas of recording and reporting financial activity in the State's financial statements.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number	Finding Titles
2018-002	The Department of Social and Health Services improperly charged $454,838 to the SNAP Cluster.
2018-003	The Department of Health improperly charged $151 to the Special Supplemental Nutrition Program for Women, Infants and Children grant.
2018-004	The Department of Health improperly charged $31,051 to the Special Supplemental Nutrition Program for Women, Infants and Children grant.
2018-005	The Department of Health did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children program received required audits.
2018-006	The Department of Health did not have adequate internal controls over and was not compliant with cash management requirements for the Special Supplemental Nutrition Program for Women, Infants and Children grant.
2018-007	The Office of the State Treasurer did not have adequate internal controls to properly identify and notify participating counties of the amount and source of funds they received for the Schools and Roads program.
2018-008	The Military Department charged payroll costs to the Military Operations and Maintenance program that were not properly supported.

Finding Number	Finding Titles
2018-009	The Office of Civil Legal Aid did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Crime Victim Assistance program received required audits.
2018-010	The Office of Civil Legal Aid did not have adequate internal controls over and did not comply with requirements to ensure subrecipients of the Crime Victim Assistance Program received required risk assessments.
2018-011	The Washington State Department of Transportation did not have adequate internal controls over and did not comply with suspension and debarment requirements.
2018-012	The Department of Transportation did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster.
2018-013	The Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Highway Planning and Construction Cluster.
2018-014	The Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Federal Transit Cluster.
2018-015	The Department of Transportation, State Ferries Division, did not have adequate internal controls over and did not comply with equipment management requirements.
2018-016	The Department of Ecology did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Capitalization Grants for Clean Water State Revolving Funds program received required audits and management decisions on audit findings were issued in a timely manner.
2018-017	The Department of Ecology did not have adequate internal controls over and did not comply with reporting requirements for the Capitalization Grants for Clean Water State Revolving Funds program.
2018-018	The Department of Services for the Blind did not have adequate internal controls over federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable time period.
2018-019	The Department of Services for the Blind did not have adequate internal controls over reporting requirements for the Vocational Rehabilitation Grant.
2018-020	The Department of Services for the Blind did not have adequate internal controls over and was not compliant with requirements to ensure cash draws were accurate and timely for the Vocational Rehabilitation program.

Finding Number	Finding Titles
2018-021	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable period of time.
2018-022	The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.
2018-023	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with federal requirements to ensure payments paid on behalf of clients for Vocational Rehabilitation were allowable.
2018-024	The Department of Social and Health Services did not have adequate internal controls to ensure its federal financial reports for the Vocational Rehabilitation grant were accurately prepared.
2018-025	The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.
2018-026	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers paid with Temporary Assistance for Needy Families funds were allowable.
2018-027	The Department of Social and Health Services did not have adequate internal controls over maintenance of effort requirements for the Temporary Assistance for Needy Families grant.
2018-028	The Department of Social and Health Services did not have adequate internal controls in place to ensure quarterly reports for the Temporary Assistance for Needy Families Grant were submitted accurately.
2018-029	The Department of Social and Health Services did not have adequate internal controls in place for submitting quarterly and annual reports for the Temporary Assistance for Needy Families grant
2018-030	The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Working Connections Child Care program.
2018-031	The Department of Social and Health Services improperly charged payroll costs to the Child Support Enforcement Grant.

Finding Number	Finding Titles
2018-032	The Department of Commerce did not have adequate internal controls over and did not comply with requirements to monitor subrecipients of the Low-Income Home Energy Assistance program.
2018-033	The Department of Children, Youth, and Families did not have adequate internal controls to ensure payroll charges to the Child Care and Development Fund program were allowable and properly supported.
2018-034	The Department of Children, Youth, and Families did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.
2018-035	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.
2018-036	The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to detect fraud in the Child Care and Development Fund program.
2018-037	The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure it separately identified and reported demonstration project costs.
2018-038	The Department of Social and Health Services improperly charged $798,930 to the federal foster care grant.
2018-039	The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal level of effort requirements for the Adoption Assistance program.
2018-040	The Department of Health did not have adequate internal controls to ensure it complied with survey requirements for Medicaid hospitals and home health agencies.
2018-041	The Health Care Authority did not have adequate internal controls over and did not comply with a state law requirement to perform semi-annual data sharing with health insurers.
2018-042	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure certain Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.
2018-043	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Service Verifications were performed for eligible nursing home claims.

Finding Number	Finding Titles
2018-044	The Health Care Authority did not have adequate internal controls to ensure its federal draws for the Medicaid Transformation Demonstration project were adequately supported.
2018-045	The Health Care Authority claimed federal funds for Medicaid expenditures that exceeded the two-year time limit.
2018-046	The Health Care Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.
2018-047	The Health Care Authority, Office of Program Integrity, Data Analytics and Review Unit, did not establish adequate internal controls over and did not comply with requirements to identify and investigate suspected fraud cases.
2018-048	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid expenditures were allowable to claim Children's Health Insurance Program funds.
2018-049	The Health Care Authority made improper payments for Medicaid managed care recipients with Medicare insurance coverage.
2018-050	The Department of Social and Health Services, Aging and Long-Term Support Administration made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.
2018-051	The Department of Social and Health Services, Developmental Disabilities Administration made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.
2018-052	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls and did not comply with survey requirements for Medicaid intermediate care facilities.
2018-053	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure it complied with survey requirements for Medicaid nursing home facilities.
2018-054	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to home care agencies were allowable.
2018-055	The Department of Social and Health Services did not ensure the federal portion of uncashed Medicaid checks was returned to its grantor.
2018-056	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure all Medicaid Community First Choice individual providers had proper background checks.

Finding Number	Finding Titles
2018-057	The Department of Social and Health Services, Aging and Long-Term Support and Developmental Disabilities Administrations, did not have adequate internal controls over and did not comply with requirements to ensure some Medicaid providers were properly revalidated or screened, and fingerprint-based criminal background check requirements were met.
2018-058	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and was not compliant with requirements to ensure Medicaid payments to supported living providers were allowable.
2018-059	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.
2018-060	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.
2018-061	The Military Department did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of Disaster Grants-Public Assistance received required audits.

State of Washington
July 1, 2017 through June 30, 2018

SECTION IV – SUMMARY OF FEDERAL AWARD QUESTIONED COSTS

Federal Grantor	State Agency	CFDA Numbers	Federal Program	Known Questioned Costs	Likely Improper Payments	Finding Number(s)
U.S. Department of Agriculture	Department of Social and Health Services	10.551 10.561	Supplemental Nutrition Assistance Program (SNAP) Cluster	$454,838	$0	2018-002
U.S. Department of Agriculture	Department of Health	10.557	Special Supplemental Nutrition Program (WIC)	$31,202	$565,257	2018-003 2018-004
Department of Defense	Military Department	12.401	Military Operations and Maintenance Program	$82,338	$0	2018-008
U.S. Department of Education	Department of Social and Health Services	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	$10,553	$2,965,496	2018-023
U.S. Department of Health and Human Services	Department of Social and Health Services	93.558 93.714	Temporary Assistance for Needy Families (TANF)	$15,969	$19,066,378	2018-026 2018-030
U.S. Department of Health and Human Services	Department of Social and Health Services	93.563	Child Support Enforcement	$29,733	$71,359	2018-031
U.S. Department of Health and Human Services	Department of Social and Health Services	93.575 93.596	Child Care and Development Fund Cluster	$24,242	$16,121,480	2018-030
U.S. Department of Health and Human Services	Department of Children, Youth, and Families	93.575 93.596	Child Care and Development Fund Cluster	$9,552,098	$28,391,108	2018-033 2018-034 2018-035

Federal Grantor	State Agency	CFDA Numbers	Federal Program	Known Questioned Costs	Likely Improper Payments	Finding Number(s)
U.S. Department of Health and Human Services	Department of Social and Health Services	93.658	Foster Care - Title IV-E	$798,930	$1,487,292	2018-038
U.S. Department of Health and Human Services	Health Care Authority	93.775 93.777 93.778	Medicaid Cluster	$5,862,754	$12,053,321	2018-045 2018-048 2018-049
U.S. Department of Health and Human Services	Department of Social and Health Services	93.775 93.777 93.778	Medicaid Cluster	$5,068,591	$445,361,389	2018-050 2018-051 2018-054 2018-055 2018-056 2018-058 2018-059 2018-060

Financial Findings Reported Under Government Auditing Standards

2018-001 The State should improve internal controls over specific areas of recording and reporting financial activity in the State's financial statements.

Background

State management is responsible for ensuring that balances reported on the financial statements are accurate and fairly presented, in all material respects. The state has numerous colleges and universities, which prepare independent financial statements and provide financial data for aggregation into the state's comprehensive annual financial report (CAFR). Management is responsible for ensuring that the balances included in the State's financial presentation are correctly classified and accurate.

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

State Board for Community and Technical Colleges (SBCTC)

The State Board for Community and Technical Colleges (SBCTC) advocates for, coordinates and directs Washington's system of 34 public community and technical colleges. One of SBCTC's responsibilities is to collect community and technical college financial data for reporting in the State's general ledger.

University of Washington (UW)

The University of Washington (UW) is one of the oldest state-supported institutions of higher education on the Pacific Coast. The University's primary mission is the preservation, advancement and dissemination of knowledge. One of the University's responsibilities is to provide information for reporting in the State's general ledger and financial statements.

Office of Financial Management (OFM)

The Office of Financial Management (OFM) is responsible for preparing the State's financial statements in accordance with generally accepted accounting principles (GAAP). These statements provide a thorough and detailed presentation of the State's overall financial condition.

OFM is responsible for the overall coordination of financial data across the State used to prepare these statements. At year-end, OFM is also responsible for ensuring the accuracy of the financial information presented in the statements.

Department of Licensing (DOL)

The Department of Licensing (DOL) is responsible for collecting the State's revenues related to vehicle and vessel registration. DOL collects these fees for the State, counties, cities and towns for improvements related to roads, streets and highways including facilities for pedestrians, bicyclists or equestrians.

Description of Condition

We identified the following deficiencies in internal controls over financial reporting that, when taken as a whole, represent a material weakness over financial reporting.

SBCTC

In 2015, SBCTC implemented a modernized computer system to replace the existing legacy software. Two colleges converted to a new financial system that same year.

At the time of our audit, one of the colleges using the new system has not closed its financial records since the 2016 fiscal year-end. As a result, several balance sheet accounts related to this College were inaccurate in the State's accounting system.

After the 2018 fiscal year-end, SBCTC consolidated and reconciled the college's balances to accurately report them for the 2018 fiscal year-end in the State's accounting system. However, some of the adjustments SBCTC made to reconcile at year-end were inaccurate.

UW

UW produces full accrual annual financial statements, reporting as a business-type entity. The State has a different chart of accounts and reports some of the University's activities using a different accounting basis. Therefore, a number of adjustments are required to consolidate and report the University's financial information in the State's financial statements. We found several errors in the consolidation and adjustment process.

OFM

To prepare the State's financial statements, OFM makes a number of year-end adjustments to ensure amounts are properly reported on the State's financial statements. Adjustments were made to recognize revenue on the full accrual basis of accounting on the statement of activities and to implement new accounting standards related to pensions and other post-employment benefits (OPEB). We found errors in these adjustments.

DOL

For fiscal year 2018, DOL reported collections of $595 million for motor vehicle and vessel registrations, far exceeding the $243 million it expected to collect. DOL identified one error that caused a $51 million overstatement of revenue but could not explain the remaining increase.

Cause of Condition

SBCTC

SBCTC did not dedicate sufficient time or resources to ensure it made accurate fiscal year-end adjustments to a college's financial data.

UW

The process of adjusting UW financial information for reporting in the State's financial statements is complex, and OFM did not dedicate sufficient resources to review every adjustment for classification at fiscal year-end.

OFM

OFM has consistently aimed to produce one of the fastest statewide financial reports in the nation. As a result of this goal, OFM has a short turnaround time to review the final statements, notes, and schedules and to ensure all year-end adjustments are posted accurately.

OFM did not dedicate sufficient resources to review all fiscal year-end adjustments for accuracy. Additionally, OFM had additional responsibilities beyond financial statement preparation that created additional stress on the agency at fiscal year-end.

DOL

During fiscal year 2018, DOL experienced difficulty correctly identifying and classifying revenue in its accounting records. It recorded a significant amount of revenue in a clearing account because the source of the revenue could not be determined. At fiscal year-end, DOL elected to report the amounts as motor vehicle license revenue because the true source of the revenue was still unknown.

Effect of Condition

SBCTC

SBCTC made several errors in consolidating, reconciling and adjusting college financial data for reporting in the State's accounting system. Specifically:

- Higher Education Special Revenue fund accounts payable was overstated by $137 million
- Higher Education Student Services fund accounts receivable was overstated by $51 million

These errors were not corrected in the state's financial statements.

UW

During our final review of the State's financial statements, we identified the following misstatements:

- Due from other funds was misclassified as accounts receivable in the Higher Education Special revenue fund, causing a misstatement of $666 million. This was corrected in the state's financial statements.

- Due to other funds was misclassified as accounts payable in the Higher Education Endowment fund, causing a misstatement of $666 million. This was corrected in the state's financial statements.
- Benefits were misclassified as Salaries in the Higher Education Student Services fund, causing a misstatement of $75 million. This error was not corrected in the state's financial statements.

OFM

Several year-end adjustments were inaccurately recorded on the State's financial statements:

- On the Government Wide Statement of Activities, other revenues were overstated by $578 million and property tax revenues were understated by the same amount. This was corrected in the state's financial statements.
- On the governmental fund statements, year-end adjustments for pension and OPEB were inaccurately recorded as follows:
    - Deferred outflows on OPEB and total OPEB liability were overstated by $38.9 million in the General Fund. Additionally, net pension liability was overstated by $2.5 million.
    - Deferred outflows on OPEB and total OPEB liability were overstated by $25 million in the Higher Education Special Revenue fund. Additionally, net pension liability was overstated by $8.5 million.
    - Deferred outflows on OPEB were overstated by $13.5 million in non-major governmental funds.

These errors were corrected in the state's financial statements.

DOL

License, permits and fees revenue reported by DOL were overstated by an estimated $352 million in the motor vehicle fund.

This error was not corrected in the state's financial statements.

Recommendations

We recommend the following:

SBCTC

- Perform timely, complete and accurate reconciliations and adjustments of community and technical college financial data reported in the State's accounting system at year-end
- Continue to work with colleges using the new software system to resolve issues so correcting entries can be posted and their financial records can be closed

UW

- UW and OFM work together more closely to ensure an accurate understanding of the year-end process for consolidating, adjusting and reporting year-end financial data in the State's accounting system

OFM

- OFM dedicate more resources to reviewing complex year-end adjustments

DOL

- Perform complete reconciliations of revenues to ensure the sources of receipts are promptly identified and accurately recorded in the State's accounting system

State's Response

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

OFM will continue to work with the Department of Licensing, University of Washington, and the State Board of Community and Technical Colleges to improve internal controls over the processing and reporting of financial activities.

OFM continually strives to strengthen its process for analyzing financial data to identify potential issues and adjust those items that are material to the state's financial statements.

Auditor's Remarks

We appreciate the state's commitment to resolving this finding and thank the state for their cooperation and assistance. We will review the status during the next audit.

Applicable Laws and Regulations

RCW 43.88.160 Fiscal management – Powers and duties of officers and agencies, states in part:

> (4) In addition, the director of financial management, as agent of the governor, shall:
>
> (a) Develop and maintain a system of internal controls and internal audits comprising methods and procedures to be adopted by each agency that will safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies for accounting and financial controls. The system developed by the director shall include criteria for determining the scope and comprehensiveness of internal controls required by classes of agencies, depending on the level of resources at risk.

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

> 4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2)

instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

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

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

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

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

.A11 Indicators of material weaknesses in internal control include:

- Identification of fraud, whether or not material, on the part of senior management. For the purpose of this indicator, the term "senior management" includes the principal executive and financial officers as well as any other members of senior management who play a significant role in the entity's financial reporting process;
- Restatement of previously issued financial statements to reflect the correction of a material misstatement due to fraud or error;
- Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected and corrected by the entity's internal control; and
- Ineffective oversight of the entity's financial reporting and internal control by those charged with governance.

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

Section 20.15.30.a Who is responsible for internal control?

The agency head or authorized designee is ultimately responsible for identifying risks and establishing, maintaining, and reviewing the agency's system of internal control. If the agency head delegates this responsibility, the designated person should have sufficient authority to carry out these responsibilities. Normally, this person is a senior agency manager who does not serve in the internal audit function.

Section 20.15.40.c Control Activities

Control activities help ensure risk responses are effectively carried out and include policies and procedures, manual and automated tools, approvals, authorizations, verifications, reconciliations, security over assets, and segregation of duties. These activities occur across an agency, at all levels and in all functions, and are designed to help prevent or reduce the risk that agency objectives will not be achieved. Managers set up control activities to provide reasonable assurance that the agency and business unit objectives are met. An example of a control activity is something as simple as listing tasks assigned to staff members and then periodically checking the list to verify that assignments are completed on time. Refer to Section 20.25 for further discussion of control activities.

Section: 20.15.50.a - Annual assurance

A risk assessment and internal control review process provides management with reasonable assurance that controls are operating as expected. In addition, the process should be used to determine if internal control modifications are needed by considering events that have occurred, processes or procedures that have changed, new projects or programs that are being planned or implemented, and other changes within the agency that may have additional risks. If the review uncovers internal control weaknesses or if prior weaknesses still exist, they should be documented and addressed.

Periodically, an agency should conduct a comprehensive review of the internal control structure to determine if it is adequately addressing agency risks. This can be done agency- wide at one time or by sections of the agency over a period of time.

Agencies must maintain adequate written documentation of activities conducted in connection with risk assessments, review of internal control activities and follow-up actions. This documentation includes any checklists and methods used to complete these activities. Refer to Subsection 20.25.50 for required documentation. For sample checklists and procedures, refer to the OFM Administrative and Accounting Resources website at: http://www.ofm.wa.gov/resources/default.asp.

Agencies have the flexibility to assign appropriate staff to complete the risk assessments and review of internal control activities required by this policy. The internal control officer is the person appointed by the agency head who is assigned responsibility for coordinating and scheduling the agency-wide effort of evaluating and reporting on reviews and improving control activities. The internal control officer also provides assurance to the agency head that the agency has performed the required risk assessments and the necessary evaluative processes. This communication may be ongoing and informal, but at least once per year, this assurance must be made in writing to the agency head. The internal control officer is responsible for ensuring that the required documentation is maintained and available for review by agency management, the State Auditor's Office (SAO), and OFM.

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Federal Findings and Questioned Costs

2018-002 The Department of Social and Health Services improperly charged $454,838 to the SNAP Cluster.

Federal Awarding Agency:	U.S. Department of Agriculture	
Pass-Through Entity:	None	
CFDA Number and Title:	10.551	Supplemental Nutrition Assistance Program (SNAP)
	10.561	State Administrative Matching Grants for SNAP
Federal Award Number:	7WA430WA5, 7WA430WA4, 7WA400WA4, 7WA4004WA	
Applicable Compliance Component:	Period of Performance	
Known Questioned Cost Amount:	$454,838	

Background

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

The Department spent about $1.4 billion in federal grant funds during fiscal year 2018.

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

During fiscal years 2017 and 2018, the Department implemented a new manual process to identify and move unallowable charges to the proper grant.

Description of Condition

The Department had adequate internal controls to ensure it materially complied with period of performance requirements. However, we found $35,842 in expenditures were charged to the SNAP Cluster for activities that occurred before the grant was open. Additionally, we found $418,996 that was obligated to the grant after the period of performance ended.

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

Cause of Condition

Management did not provide proper oversight to ensure all improper charges were identified and reversed by staff.

Effect of Condition and Questioned Costs

We are questioning improperly charged expenditures made to the SNAP Cluster as follows:

- $35,842 made before the start of the performance period
- $418,996 obligated to a grant after the period of performance ended

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

Recommendations

We recommend the Department:

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

Department's Response

The Department concurs with this finding.

The Department immediately corrected the questioned costs by moving the improperly charged expenditures to the proper grant year via the journal voucher process.

In response to DSHS 2016-002 finding, the Department implemented a mandatory process for Economic Services Administration staff to include the Month of Service (MOS) on the Agency and Financial Reporting System (AFRS) transactions. The Department utilizes the MOS to perform a monthly review of AFRS transactions to identify unallowable charges and move them via the journal voucher process to the proper grant year. At the time of this audit, the Department did not have a process in place to ensure staff were following procedures to prevent Period of Performance issues.

In addition, the Department did not have tools in place to hold staff accountable.

The Department will update processes and procedures for management oversight to prevent future expenditures from being improperly charged to the wrong grant year. Management will:

- *Assign backup coverage during staff absences*

- *Review, on a monthly basis, the monthly monitoring accounting report and take action where appropriate*
- *Hold staff accountable through use of a monthly task list*
- *Meet with the Accounting and Internal Control Administrator monthly to brief her on period of performance status and oversight*

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

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

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

Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.
(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the sample purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
(g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

    (3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Section 200.309 Period of performance, states:

A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.

Title 2 U.S. Code of Federal Regulations Part 200, Appendix XI Compliance Supplement, states in part:

> H. Period of Performance
>
> Compliance Requirements
>
> A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity (2 CFR section 200.309).
>
> Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award (2 CFR section 200.343(b)). When used in connection with a non-Federal entity's utilization of funds under a Federal award, "obligations" means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period (2 CFR section 200.71).

2018-003 The Department of Health improperly charged $151 to the Special Supplemental Nutrition Program for Women, Infants and Children grant.

Federal Awarding Agency:	Department of Agriculture, Food and Nutrition Service
Pass-Through Entity:	None
CFDA Number and Title:	10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
Federal Award Number:	177WAWA7W1003; 177WAWA7W1006; 187WAWA7W1003; 187WAWA7W1006;
Applicable Compliance Component:	Eligibility
Known Questioned Cost Amount:	$151

Background

The Department of Health (Department) operates the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). WIC reaches more than 274,000 women and children in over 200 clinics throughout the state and is funded exclusively with federal grants from the U.S. Department of Agriculture.

WIC serves pregnant, postpartum and breastfeeding women, and children up to 5 years old, who are at or below 185 percent of the federal poverty level. WIC provides:

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

Applicants for program benefits are screened at clinic sites throughout the state to determine their eligibility. To be certified eligible, applicants must meet categorical, identity and residency, income and nutrition risk requirements issued by the U.S. Department of Agriculture. An applicant must provide proof of identity and state residency at their certification appointment. An applicant may be automatically income-eligible based on documentation of his or her eligibility for other federally funded benefits, such as Medicaid. When an applicant is not automatically eligible, they must provide proof of household income, such as a paystub. Clinic staff must document this proof in the client's file in a case-management system.

Clinic staff must allow a one month grace period for proof of identification or residency. They must also screen for income eligibility based on the self-reported amount when the applicant does not bring proof of income or proof of participation in another federally funded benefit program to the certification appointment. Staff document the missing proof as "not provided" in the applicant's file, and the client is issued checks for a one month grace period only. The client must bring in the missing required proof before staff issue a second set of WIC checks.

The Department spent about $117 million in federal grant funds during fiscal year 2018, including about $66 million paid in food benefits to WIC clients.

Description of Condition

We found the Department had adequate internal controls to ensure it materially complied with eligibility requirements.

We used a statistical sampling method to randomly select and examine 59 clients of a total population of 220,264. We reviewed each client's records and determined that 58 of the 59 clients were eligible to receive benefits. In one instance, a client was issued checks for the month following the end of their grace period without providing proof of identification/residency and income. Proof of identification/residency and income was later provided, however it was after a second set of checks was issued and after the one month grace period. This resulted in known questioned costs of $151.

Federal regulations require the auditor to issue a finding when the known or estimated questioned costs identified in a single audit exceed $25,000. We are issuing this finding because, as stated in the Effect of Condition and Questioned Cost section of this finding, the estimated questioned costs exceed that threshold.

This condition was not reported in the prior audit.

Cause of Condition

Staff at the WIC clinic did not require the client to provide proof of identification/residency and income before issuing a second set of checks. The case management system does not automatically discontinue the client's eligibility determination after the grace period expires.

Effect of Condition and Questioned Costs

A statistical sampling method was used to randomly select the payments in the audit. We estimate the amount of likely improper federal payments to be $565,257.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our "best estimate of total questioned costs" as required by 2 CFR 200.516(3).

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

Recommendations

We recommend the Department:

- Ensure WIC clinic staff understand and follow all the requirements and procedures for verifying proof of eligibility before issuing checks to clients
- Consult with the grantor to discuss whether the known questioned costs identified in the audit should be repaid

Department's Response

Thank you for making us aware of this issue. We will remind our local agencies and provide training and technical assistance where needed about policies related to this issue.

The WIC program has been working on a new electronic system, Cascades MIS, which will address this issue. The system will be on boarded on March 4, 2019 and rolled out fully by October 31, 2019. The system moves away from manual check printing and instead utilizes an EBT card. The new system has safeguards built into it that prevent funds from being issued to clients if proof of identity/residence and verification of income is not entered into the system.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

    (3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 7 U.S. Code of Federal Regulations Section 246.7 Certification of participants, states in part:

(c) *Eligibility criteria and basic certification procedures.*

(1) To qualify for the Program, infants, children, and pregnant, postpartum, and breastfeeding women must:

(i) Reside within the jurisdiction of the State (except for Indian State agencies). Indian State agencies may establish a similar requirement. All State agencies may determine a service area for any local agency, and may require that an applicant reside within the service area. However, the State agency may not use length of residency as an eligibility requirement.

(ii) Meet the income criteria specified in paragraph (d) of this section.

(iii) Meet the nutritional risk criteria specified in paragraph (e) of this section.

(2)(i) At certification, the State or local agency must require each applicant to present proof of residency (i.e., location or address where the applicant routinely lives or spends the night) and proof of identity. The State or local agency must also check the identity of participants, or in the case of infants or children, the identity of the parent or guardian, or proxies when issuing food, cash-value vouchers or food instruments. The State agency may authorize the certification of applicants when no proof of residency or identity exists (such as when an applicant or an applicant's parent is a victim of theft, loss, or disaster; a homeless individual; or a migrant farmworker). In these cases, the State or local agency must require the applicant to confirm in writing his/her residency or identity. Further, an individual residing in a remote Indian or Native village or an individual served by an Indian tribal organization and residing on a reservation or pueblo may establish proof of residency by providing the State agency their mailing address and the name of the remote Indian or Native village.

(d) *Income criteria and income eligibility determinations.* The State agency shall establish, and provide local agencies with, income guidelines, definitions, and procedures to be used in determining an applicant's income eligibility for the Program.

(2) *Income eligibility determinations.* The State agency shall ensure that local agencies determine income through the use of a clear and simple application form provided or approved by the State agency.

(v) *Are applicants required to document income eligibility?*

(A) *Adjuctively/automatically income eligible applicants.* The State or local agency must require applicants determined to be adjunctively or automatically income eligible to document their eligibility for the program that makes them income eligible as set forth in paragraph (d)(2)(vi) of this section.

(B) *Other applicants.* The State or local agency must require all other applicants to provide documentation of family income at certification.

Washington State WIC Manual, states in part:

Chapter 3, Section 3, One Month Grace Period for Proof of Identification or Residency.

Staff must allow a one month grace period for proof of identification or residency.

Staff must document on the Income Documentation tab when the client doesn't provide client identification or proof of residency at the certification or transfer in appointment.

Staff must see and document the missing proof before giving additional WIC checks past the one month grace period.

Chapter 6, Section 5 Documenting Income Information, states in part:

Staff must screen for income eligibility based on the self-reported amount when the applicant, client or caregiver doesn't bring proof of income or proof of participation for an income-qualifying program to the certification appointment.

If the self-reported amount meets WIC income guidelines, staff:

1. Document the self-reported amount on the Grace Period for Proof of Income form and have the person sign.
2. Provide a one month grace period for the proof.
3. Issue one set of checks.

Staff can use one Grace Period for Proof of Income form for household members who are certified and given a grace period for proof of income on the same day.

Staff must document the proof as "Not Provided" in the applicant's or client's file. This automatically documents the one month grace period.

The person must bring in the missing proof showing WIC income eligibility before staff provide a second set of WIC checks.

2018-004 The Department of Health improperly charged $31,051 to the Special Supplemental Nutrition Program for Women, Infants and Children grant.

Federal Awarding Agency:	Department of Agriculture, Food and Nutrition Service
Pass-Through Entity:	None
CFDA Number and Title:	10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
Federal Award Number:	177WAWA7W1003;177WAWA7W1006; 187WAWA7W1003; 187WAWA7W1006;
Applicable Compliance Component:	Activities Allowed/Unallowed Allowable Costs/Cost Principles
Known Questioned Cost Amount:	$ 31,051

Background

The Department of Health (Department) operates the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). WIC reaches more than 274,000 women and children in over 200 clinics throughout the state and is funded exclusively with federal grants from the U.S. Department of Agriculture.

WIC serves pregnant, postpartum and breastfeeding women, and children up to 5 years old, who are at or below 185 percent of the federal poverty level. WIC provides:

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

Department employees who work 100 percent of their time on a single grant for a period of three months during the year are not required to submit timesheets. Instead, their supervisor submits a quarterly time certification form that shows the grant to which the employee's salary is charged. A fiscal employee prepares the certification forms and sends them to WIC program staff to be completed by the supervisor. According to Department policy, quarterly time certifications must be submitted by the 30th day of the month following the end of the applicable quarter. Employees who work on additional activities other than the grant program must complete a timesheet twice a month.

The Department spent about $117 million in federal grant funds during fiscal year 2018, with about $7 million paid in salaries and benefits to Department employees.

Description of Condition

The Department improperly charged $31,051 in salaries and benefits to the WIC grant.

The Department had adequate internal controls to ensure it materially complied with the activities allowed compliance requirement.

We found one instance when an employee did not submit a certification timely. The employee's, certification for the January – March 2018 quarter was due by April 30, 2018, but was not submitted until July 2018.

This condition was not reported in the prior audit.

Cause of Condition

The quarterly certification was not completed in a timely manner due to an oversight by Department staff.

Effect of Condition and Questioned Costs

Because the employee's time certification was not completed in a timely manner, we determined the Department improperly charged $31,051 in salaries and benefits to the WIC grant.

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

Recommendations

We recommend the Department:

- Ensure quarterly time certifications are submitted in a timely manner
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

Department's Response

Thank you for making us aware of this issue.

We understand that this finding was the result of one quarterly time certification that was submitted after the 30th day following the end of the quarter, as required by Department policy.

With the awareness of this issue, we will review our policies, as well as our procedures and processes, to determine if updates are necessary in an effort to ensure we meet the needs of the Department and Federal requirements.

The Department will also provide training to staff, to include any changes that are made to policies, procedures and/or processes.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

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

Section 200.403 Factors affecting Allowability of costs.

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Section 200.430 Compensation—personal services, states in part:

(a) *General.* Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in § 200.431 Compensation—fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:
    (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
    (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.

(i) Allowable activities. Charges to Federal awards may include reasonable amounts for activities contributing and directly related to work under an agreement, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, developing and maintaining protocols (human, animals, etc.), managing substances/chemicals, managing and securing project-specific data, coordinating research subjects, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences.

Department of Health, Procedure(s) 11.014 Time and Effort Requirements for Federal Grant Funding, states in part:

Timekeeping for Federal Requirements:

To satisfy the federal requirements in 2 CFR Part 200, all employees who are in one or more of the categories listed below must complete a semi-monthly Timekeeping (TK) time sheet. For employees funded from a single federal award or cost objective, a Quarterly Timekeeping Certification can be used in lieu of the semi-monthly PTA form.

Definitions:

Federal award includes federal financial assistance when the Department of Health is the prime recipient or sub recipient.

Cost objective means a program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the costs of processes, product jobs, capital projects, etc. A cost objective may be a major function of the non-federal entity, a particular service or project, a federal award, or an indirect cost activity, as described in subpart E-Costs Principles of this part. (2 CFR Part 200.28)

Process: Federal Timekeeping Using Quarterly Time Certifications

Employees who are funded by a single federal grant or cost objective may complete a quarterly time certification of time spent in the activity to which they are charged in lieu of a semi-monthly timekeeping sheet. For quarterly time certification, a single federal grant or cost objective may include state or local match or cost share for the federal grant or cost objective.

1. Supervisor will inform employee of the method of time keeping reporting to use for federal timekeeping and provide a copy of procedure 11.014. (Supervisor, Employee)
2. Payroll and Related reports for each pay period within the quarter will be reviewed. A consolidated list of employees who need to submit a quarterly timekeeping certification will be identified. (Grants)
3. An email notification will be sent to the Attendance Keepers and cc'd to the Finance Operations Group. The email will include a copy of the quarterly certification form. (Grants)
4. Complete the quarterly timekeeping certification and submit to supervisor for approval. (Attendance Keeper)
5. Review, verify accuracy, resolve questions, then sign the quarterly time certification form and submit to program Attendance Keeper. (Supervisor)
6. Email the completed quarterly time certification form to (centralized email address).The completed form is due by the 30^{th} of the following month after the calendar quarter ends. (Attendance Keeper)
7. The receipt of completed quarterly certification forms will be tracked by Financial Services. Supervisors and Attendance Keepers that have not submitted the certifications by the due date will be notified. (Grants)

2018-005 The Department of Health did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children program received required audits.

Federal Awarding Agency:	Department of Agriculture, Food and Nutrition Service	
Pass-Through Entity:	None	
CFDA Number and Title:	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Federal Award Number:	177WAWA7W1003;177WAWA7W1006; 187WAWA7W1003; 187WAWA7W1006;	
Applicable Compliance Component:	Subrecipient Monitoring	
Known Questioned Cost Amount:	$0	

Background

The Department of Health (Department) operates the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). WIC reaches more than 274,000 women and children in over 200 clinics throughout the state and is funded exclusively with federal grants from the U.S. Department of Agriculture.

WIC serves pregnant, postpartum and breastfeeding women, and children up to 5 years old, who are at or below 185 percent of the federal poverty level. WIC provides:

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

Federal regulations require the Department to monitor the activities of award subrecipients. This includes ensuring its subrecipients that spend $750,000 or more in federal grant money during a fiscal year obtain a single audit. The audit must be completed and submitted to the Federal Audit Clearinghouse no later than nine months after the end of the subrecipient's fiscal year. The Department also must follow up on any audit findings a subrecipient receives that might affect the federal program, and must issue a management decision within six months of the audit report's acceptance by the Federal Audit Clearinghouse. These requirements help ensure grant money is used for authorized purposes and within the provisions of contracts or grant agreements.

The Department spent about $117 million in federal grant funds during fiscal year 2018, and it passed through about $33 million to local WIC agencies as subrecipients of grant funds.

Description of Condition

The Department of Health did not have adequate internal controls in place to verify:

- Subrecipients received required audits
- Findings for the WIC program were followed up on and management decisions were issued promptly

The Department uses a spreadsheet to track subrecipient audit activity, including whether or not the subrecipient required an audit and if review of an audit was performed by Department staff. However, the spreadsheet did not include any information on the subrecipients' fiscal year end, when the audit would be due by, the Federal Audit Clearinghouse acceptance date or when the Department would need to perform and complete its review and issue a management decision. We determined the tracking spreadsheet was not an effective internal control to monitor whether subrecipients received federal audits as required.

We reviewed 17 out of 58 subrecipients required to have a single audit during our scope and determined all 17 received an audit. However, we found nine of 17 audits were not reviewed by the Department within six months of issuance to determine if there were any findings and to issue a management decision if required. We verified that one of the audits had a finding related to client eligibility that required the Department to issue a management decision.

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

This condition was not reported in the prior audit.

Cause of Condition

Although the Department had a written process to monitor and verify if subrecipients received audits, it did not provide adequate instruction to staff who were assigned this responsibility.

The employee who began the monitoring process during the audit period retired in July 2017. Another employee in the grants management unit was assigned to take over this responsibility, but was not properly trained to ensure they understood how to monitor the subrecipients.

Due to turnover and shortage of staff in the grants management unit from July 2017 through March 2018, the workload increased for all remaining employees, so the monitoring of subrecipient audit activity was not performed consistently or in a timely manner.

Effect of Condition

Without establishing adequate internal controls, the Department cannot ensure all subrecipients that met the threshold for an audit complied with federal grant requirements. In addition, one subrecipient received an audit finding that the Department did not issue a management decision on, as required.

Recommendations

We recommend the Department:

- Ensure staff are properly trained and understand how to monitor and verify whether subrecipients received the required audits
- Receive and review all required audits within the required timeframes
- Follow up on all subrecipient audit findings related to the program and issue a management decision promptly

Department's Response

Thank you. We concur with the recommendations.

The department will review and update agency processes to ensure DOH receives and reviews required subrecipient audits and completes any follow up action within the required time frame. The department will provide clear guidance and additional training to staff to ensure a clear understanding of the process and related expectations.

In addition, the department will review and update the agency tracking spreadsheet that documents when and how each of the required actions are satisfied.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

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

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

(f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed

control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

2018-006 The Department of Health did not have adequate internal controls over and was not compliant with cash management requirements for the Special Supplemental Nutrition Program for Women, Infants and Children grant.

Federal Awarding Agency:	Department of Agriculture, Food and Nutrition Service
Pass-Through Entity:	None
CFDA Number and Title:	10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
Federal Award Number:	177WAWA7W1003;177WAWA7W1006; 187WAWA7W1003; 187WAWA7W1006;
Applicable Compliance Component:	Cash Management
Known Questioned Cost Amount:	$0

Background

The Department of Health (Department) operates the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). WIC reaches more than 274,000 women and children in over 200 clinics throughout the state and is funded exclusively with federal grants from the U.S. Department of Agriculture.

WIC serves pregnant, postpartum and breastfeeding women, and children up to 5 years old, who are at or below 185 percent of the federal poverty level. WIC provides:

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

The primary purpose of the Cash Management Improvement Act (CMIA) agreement is to ensure states request federal funds exactly when they are needed and that no interest is gained or lost by either the federal or state governments. The agreement specifies the funding technique the Department is to use when requesting federal funds. For the WIC program, the Department draws funds semi-monthly according to the state payroll schedule for program administrative costs and payments to providers, and daily for food benefit payments offset by manufacturer rebates. When the rebate balance is large enough to cover the balance for the food benefit payment, a draw is not necessary.

United Community Bank acts as the state's fiscal agent and pays the food benefit expenditures. The Department executes a wire transfer every day for the preceding day's food benefit using state dollars. The amount that is wired to the bank each day is the amount the Department should request to be reimbursed for in the daily draw.

The Department spent about $117 million in federal grant funds during fiscal year 2018, with about $66 million paid in food benefits to WIC clients, and $51 million in administrative costs and payments to providers.

Description of Condition

The Department did not have adequate internal controls over and was not compliant with cash management requirements for the Special Supplemental Nutrition Program for Women, Infants and Children grant.

When the Department drew federal funds, it ensured the amounts drawn were correct based on actual payments. However, the Department did not monitor its federal drawdown frequency to ensure it complied with the CMIA. We determined 24 semi-monthly and 230 daily draws (depending on the available rebate balance) should have occurred during state fiscal year 2018. We randomly selected and examined 16 out of the 106 actual daily draws the Department performed during the year and all 14 semi-monthly draws that were done during the year. We found:

- Ten of the 16 daily draws were not drawn in a timely manner, including one draw that was 32 days late. Nine of the draws were a combination of two or more separate food benefit payments. The draw that was 32 days late should have been 18 separate daily draws, rather than one combined draw. The amounts that were drawn late ranged from $241,298 to $6,267,434.

- Eleven of the 14 semi-monthly draws we examined were not drawn on the state payroll schedule as required. We also determined that there were no semi-monthly draws made in July 2017, August 2017, February 2018 or April 2018.

In addition, the Department discovered it was overdrawn by $121,359, but did not correct the error for two and a half months.

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

This condition was not reported in the prior audit.

Cause of Condition

The Department experienced significant turnover during the audit period and believed it did not have the resources necessary to ensure draws were made in accordance with the CMIA.

Effect of Condition

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

Recommendations

We recommend the Department:

- Improve its internal controls to ensure cash draws are performed in accordance with the state's CMIA agreement
- Train staff adequately to ensure federal draws are performed in a timely manner

Department's Response

Thank you. We concur with the recommendations.

The Department will review and update the documented procedures and train staff to ensure compliance with Federal and CMIA requirements.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

> Section 200.303 Internal controls, states in part:
>
> > The non-Federal entity must:
> > (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
> > (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
> > (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
>
> Section 200.516 Audit findings, states in part:
> > (a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
> > > (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

(d) If a State repeatedly or deliberately fails to request funds in accordance with the procedures established for its funding techniques, as set forth in § 205.11, § 205.12, or a Treasury-State agreement, we may deny the State payment or credit for the resulting Federal interest liability, notwithstanding any other provision of this part.

(e) If a State materially fails to comply with this subpart A, we may, in addition to the action described in paragraph (d) of this section, take one or more of the following actions, as appropriate under the circumstances:

(1) Deny the reimbursement of all or a part of the State's interest calculation cost claim;

(2) Send notification of the non-compliance to the affected Federal Program Agency for appropriate action, including, where appropriate, a determination regarding the impact of non-compliance on program funding;

(3) Request a Federal Program Agency or the General Accounting Office to conduct an audit of the State to determine interest owed to the Federal government, and to implement procedures to recover such interest;

(4) Initiate a debt collection process to recover claims owed to the United States; or

(5) Take other remedies legally available.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.
Probable. The future event or events are likely to occur.

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
Material noncompliance. In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

The Cash Management Improvement Act (CMIA) of 2018, states in part:

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

Actual Clearance, ZBA - ACH

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

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

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

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

6.3.2 Programs

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

Recipient: 303---Department of Health---DOH
% of Funds Agency Receives: 66.00
Component: Direct program/benefit payments for food voucher redemption through United Community Bank, which acts as the state's fiscal agent in the program. The state's drawdowns are based on the actual expenditures, which are the previous day's activity. Rebates offset the direct program/benefit payments. This is a zero balance account.
Technique: Actual Clearance, ZBA-ACH
Average Day of Clearance: 0 Days

Recipient: 303---Department of Health---DOH
% of Funds Agency Receives: 34.00
Component: Administrative costs including payroll
Technique: Modified Direct Program Costs -Admin, Payroll, Payments to Providers (ACH Drawdown on Payroll Cycle)
Average Day of Clearance: 0 Days

2018-007 **The Office of the State Treasurer did not have adequate internal controls to properly identify and notify participating counties of the amount and source of funds they received for the Schools and Roads program.**

Federal Awarding Agency:	Department of Agriculture	
Pass-Through Entity:	None	
CFDA Number and Title:	10.665	Schools and Roads – Grants to States
Federal Award Number:	N/A	
Applicable Compliance Component:	Activities Allowed or Unallowed/Cost Principles	
Known Questioned Cost Amount:	None	

Background

The Department of Agriculture (Department) shares federal receipts from the national forests with the states in which the national forests are situated. Federal Title I funds are generally to be used for the benefit of public schools and public roads of the county or counties in which the national forest is situated. Federal Title III portion of the funds are paid to participating counties to carry out activities under the Firewise Communities program, reimburse for search and rescue or other emergency services, or develop community wildfire protection plans.

The Office of the State Treasurer (Office) is responsible for transferring these federal funds for Washington to eligible counties. The Department sends the Office the program funds along with instructions on which counties are to receive the funds and how much and what type of funds each county is to receive. The Office is expected to disburse the Title I and any Title III funds according to the Department's instructions.

Description of Condition

The Office did not have adequate internal controls to properly identify and notify participating counties of the amount of Title III funds they received.

In May 2018, 14 counties received a total of $667,658 in Title III funds from the Office. These funds should have been identified as Title III when given to the counties, but were identified as Title I. The Office detected the error after the audit period ended, while responding to a public records request, and corrected it at that time. The error was not detected as part of management's internal controls.

We consider this internal control deficiency to be a significant deficiency.

This condition was not reported in the prior audit.

Cause of Condition

The Office said the error occurred because of the infrequency of this program's funding to the State and staff lacked experience with this specific transaction. Additionally, management did not monitor sufficiently to ensure the grant funds were properly disbursed.

Effect of Condition

Title III funding is more restricted and has different allowable uses than Title I funds. The 14 counties were at risk for improperly spending these funds because the funding source was not correctly identified by the Office.

Recommendation

We recommend the Office:

- Ensure staff responsible for disbursing the funds are knowledgeable and aware of the different funding types
- Establish an adequate review of the disbursements to ensure the amounts and funding types are reported accurately to the counties

Office's Response

The Office of the State Treasurer (OST) is proud of its long history of clean audits and continual efforts to improve internal controls. However, OST respectfully disagrees with this audit finding. Upon learning the funding source was not correctly identified to the counties, OST notified the affected counties and sent corrected instructions for the federal grants distributed. This occurred within 60 days from the date of the error (May 22, 2018) and before the audit. Furthermore, OST followed up with each county and confirmed that funds were properly identified per federal instructions.

Within the Effect of Condition section, the State Auditor's Office (SAO) states that "… counties were at risk for improperly spending these funds …". Due to OST's timely response and proactive communication, the chance of noncompliance by the counties occurring is slight (i.e., remote) at best. The impacted counties would have had to spend over 96 percent of the total money distributed by July 20, 2018 to inadvertently spend Title III funds on Title I purposes. Furthermore, this mistake was identified and corrected before the audit began.

According to SAO's "Decision Matrix for Single Audit Internal Control Deficiencies", if the likelihood of noncompliance is considered "Remote", then the control deficiency should not be considered significant. As such, deficiencies that are not significant do not require the SAO to report an audit finding.

OST considers this internal control deficiency to be not significant given the circumstances. OST does, however, appreciate the audit recommendations as they are internal control improvements. OST will continue to always enhance internal controls. In fact, in the last calendar year, an internal auditor position has been added to our staff. Although not required, the Treasurer and Treasury Management *decided that it was an important position to ensure financial integrity of public funds. This addresses the well-received recommendations for improvement provided in the Auditor's report.*

Auditor's Concluding Remarks

The Office of the State Treasurer is correct that it identified the error prior to the audit being conducted. However, the identification did not occur before the end of the audit period and, most importantly, the error was not identified through the normal course of business. In its response, the Office asserts that the likelihood of noncompliance is remote. In fact, the Department became noncompliant when it mis-categorized the funds and dispersed them to the counties. Therefore, the likelihood of noncompliance is not remote.

In our judgement, the deficiency was not significant enough to report as a material weakness, but important enough to merit attention by agency management and the grantor.

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

Applicable Laws and Regulations

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

Section 200.302 Financial management, states:

(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also § 200.450 Lobbying.

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

(1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass- through entity, if any.

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.

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

(4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See § 200.303 Internal controls.

(5) Comparison of expenditures with budget amounts for each Federal award.

(6) Written procedures to implement the requirements of § 200.305 Payment.

(7) Written procedures for determining the allowability of costs in accordance with Subpart E—Cost Principles of this part and the terms and conditions of the Federal award.

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

2018-008 The Military Department charged payroll costs to the Military Operations and Maintenance program that were not properly supported.

Federal Awarding Agency:	National Guard Bureau
Pass-Through Entity:	None
CFDA Number and Title:	12.401 National Guard Military Operations and Maintenance
Federal Award Number:	W912K3-15-2-1000
Applicable Compliance Component:	Activities Allowed or Unallowed Allowable Cost/Cost Principles
Known Questioned Cost Amount:	$82,338

Background

The Washington State Military Department (Department) administers the National Guard Military Operations and Maintenance Projects. The National Guard Bureau (NGB) and the Department enter into a Master Cooperative Agreement to establish the terms and conditions applicable to the contribution of NGB funds or in-kind assistance for the operation and training of the Washington State Army and Air National Guard.

The Department can use grant funds only for costs that are allowable and related to the grant's purpose. According to Department policy, employees whose positions are funded by a single federal award or a single cost activity must complete a certification stating they have worked solely on the specific federal program. The certification must be reviewed for accuracy and approved by the employee's supervisor by the last day of the following month for the quarter. Employees who work on additional cost activities, other than the grant program, must complete a timesheet twice a month.

In fiscal year 2018, the Department received about $21.3 million in federal funds for the operations and maintenance of the Army National Guard and Air National Guard facilities. Of this amount, over $7.9 million was spent on employee salaries and benefits.

Description of Condition

The Military Department charged payroll costs to the Military Operations and Maintenance program that were not properly supported.

Nine employees were required to submit certifications quarterly. We reviewed all 36 certifications, which were completed for work performed during the audit period, and found seven were submitted as many as 139 days late. Three certifications were eventually collected during the audit period, but four were not collected by the last day of the month following the end of the state fiscal year.

This condition was not reported in the prior audit.

Cause of Condition

The Department had policies in place to ensure compliance, but they were not always followed. Management followed up with each employee and their supervisor when the certifications were not submitted in a timely manner, but could not obtain the certifications.

Effect of Condition and Questioned Costs

The Department charged $82,338 in direct payroll and benefits to the program that were not adequately supported. We are questioning these costs.

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

Recommendation

We recommend the Department:

- Follow its own policy to ensure payroll costs charged to a federal grant are supported by required documentation
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

Department's Response

The Department concurs with the findings.

The Department policy requires employees who are permanently assigned to activities directly benefiting a single federal program to submit a Certification of Time and Effort on a quarterly basis. Supervisors are required by policy to review for accuracy and submit the form to the Payroll Office. In some cases, despite the Payroll Office sending reminders to employees and their supervisors, the Certification of Time and Effort forms were never submitted to the Payroll Office.

The Department will initiate the following actions:

- *Update the "Time and Effort Reporting Certification" policy and "Time and Effort Reporting" policy to ensure timekeeping guidance and requirements are clear and understood.*
- *Provide copies of the policy to employee and supervisor who are permanently assigned to activities directly benefiting a single federal program and are not overtime eligible.*
- *Train employees and supervisors of the importance of the procedure.*
- *Implement a quarterly monitoring task for employees and supervisor.*
- *If Certification forms are not received by due date established in the Department policies, Payroll Office will follow up with the supervisor and escalate as necessary until required documentation is received.*

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.403 Factors affecting Allowability of costs.

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the sample purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).

(g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

The Military Department, Finance Division Procedure 02-005A-06, states in part:

> **Certification Requirements** apply to employees that are permanently assigned to activities directly benefiting a single federal program. Quarterly, these employees must complete a Certification of Time and Effort form (MIL Form 806) that certifies the employee worked solely on a specified federal program for the specified period of time. The employee completes the certification of time and effort. Employee submits the certification to their designated supervisor. Supervisor reviews the certificate for accuracy, then signs and dates if accurate and complete. Supervisors must ensure that certifications are submitted to the payroll staff by the last day of the following month.

2018-009 The Office of Civil Legal Aid did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Crime Victim Assistance program received required audits.

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

Background

The Office of Civil Legal Aid (Office) receives federal funding for Crime Victim Assistance through an interlocal agreement with the Department of Commerce. It subsequently subawards federal funds to seven nonprofit subrecipients to provide legal advice, assistance and representation to victims of crime in Washington. Each nonprofit is funded under its own subrecipient contract. The Office spent $4.6 million in federal funds for Crime Victim Assistance in state fiscal year 2018. Of that amount, about $4.4 million was passed through to subrecipients as subawards.

Federal regulations require the Office to monitor the activities of its subrecipients. This includes verifying that its subrecipients that spend $750,000 or more in federal awards during a fiscal year obtain a single audit. Further, for the awards it passes on to its subrecipients, the Office must follow up and ensure its subrecipients take timely action on all deficiencies detected through audits, onsite reviews and other means, and must issue a management decision for audit findings within six months of the audit report's acceptance by the Federal Audit Clearinghouse. These requirements help ensure grant money is used for authorized purposes and within the provisions of contracts or grant agreements.

Description of Condition

The Office did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Crime Victim Assistance program received required audits. During the subaward process, subrecipients are notified of the requirement to submit all single audit reports timely once completed. However, management said the Office does not track when audits are due or confirm that they were either performed or not required. Management also said that of the seven subrecipients, it expects only two will meet the $750,000 required threshold for needing to obtain and submit an audit and they are expected to provide those audits to the Office.

We found the Office did not have adequate internal controls in place to verify:

- Subrecipients received required audits
- Findings were followed up on and management decisions were issued when due

We found six of the seven subrecipients of the Crime Victim Assistance program were not monitored to ensure their compliance with requirements for obtaining single audits. Of these six, two required an audit. We reviewed the two audits that were not collected and determined one subrecipient received an audit finding related to the program that included questioned costs. The Office was required to issue a management decision to the subrecipient for this finding and ensure the issue was corrected. Because it was not aware of this finding, the Office did not perform the required follow-up.

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

This condition was not reported in the prior audit.

Cause of Condition

The Office did not establish policies or procedures to verify whether each subrecipient required a single audit, monitor audit results, or ensure it issued timely management decisions when required.

Effect of Condition

Without establishing adequate internal controls, the Office cannot ensure all subrecipients that met the threshold for an audit complied with federal grant requirements. In addition, one subrecipient never received a management decision for one of its findings.

Recommendations

We recommend the Office:

- Establish policies and procedures related to subrecipient audit monitoring
- Verify all required audits occurred
- Follow up on subrecipient audit findings related to the program and issue a management decision promptly

Office's Response

The Office of Civil Legal Aid has received this audit finding. We concur with both the finding and SAO's recommendations. Effective January 31, 2019, action was taken to: (a) establish appropriate policies and procedures to ensure subrecipient audit monitoring and review, and (b) review and follow up on audit findings, if any, for those subrecipients that are subject to the Single Audit requirement and have received audit findings.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

All pass-through entities must:

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

(1) Reviewing financial and performance reports required by the pass-through entity.

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

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

(f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

2018-010 **The Office of Civil Legal Aid did not have adequate internal controls over and did not comply with requirements to ensure subrecipients of the Crime Victim Assistance Program received required risk assessments.**

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

Background

The Office of Civil Legal Aid (Office) receives federal funding for Crime Victim Assistance through an interlocal agreement from the Department of Commerce. It subsequently subawards federal funds to seven nonprofit subrecipients to provide legal advice, assistance and representation to victims of crime in Washington. Each nonprofit is funded under its own subrecipient contract. The Office spent $4.6 million in federal funds for Crime Victim Assistance in state fiscal year 2018. Of that amount, about $4.4 million was passed through to seven subrecipients as subawards.

To determine the appropriate level of monitoring, federal regulations require the Office to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Description of Condition

The Office did not have adequate internal controls over and did not comply with requirements to ensure subrecipients received required risk assessments for the Crime Victim Assistance Program.

While the Office had procedures for performing subrecipient monitoring, it did not require staff to perform a risk assessment of each subrecipient to determine the appropriate level of monitoring as required by federal regulations. Subsequently, no risk assessments were performed for any of the Office's seven subrecipients.

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

This condition was not reported in the prior audit.

Cause of Condition

The Office had no policies or procedures in place that address how risk assessments of subrecipients should be performed and documented. Management said they thought the Office was already meeting the requirement through its onsite monitoring process.

Effect of Condition

By not performing risk assessments of subrecipients, the Office is less likely to perform adequate monitoring that would detect whether subrecipients comply with grant terms and federal regulations. Without written policies and procedures, the Office cannot ensure risk assessments are performed consistently and analyze the proper criteria, which would ensure consistency in determining the appropriate amount of monitoring for each subrecipient.

Recommendations

We recommend the Office:

- Establish adequate internal controls, including policies and procedures, to ensure required risk assessments are performed
- Maintain documentation to show the required risk assessments were performed, which would allow management to monitor the results and demonstrate compliance with federal requirements
- Ensure the results of the risk assessments are used to determine how much and what type of monitoring of subrecipients will be performed, as required by federal law

Office's Response

The Office of Civil Legal Aid has received this audit finding. We concur with both the finding and SAO's recommendations. Effective January 31, 2019, action was taken to increase internal controls by adopting a formal risk assessment protocol, developing and employing a risk assessment tool, and adopting a risk assessment schedule that will allow timely assessment of and action necessary to mitigate any risks associated with existing and future proposed subrecipients of federal VOCA funding.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

> Section 200.303 Internal controls, states in part:
>
> > The non-Federal entity must:
> >
> > (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

All pass-through entities must:

(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

(1) The subrecipient's prior experience with the same or similar subawards;

(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;

(3) Whether the subrecipient has new personnel or new or substantially changed systems; and

(4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow

management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

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

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

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

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

2018-011 **The Washington State Department of Transportation did not have adequate internal controls over and did not comply with suspension and debarment requirements.**

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

Background

The State Department of Transportation (Department) Local Programs Office administers federal funding under the Highway Planning and Construction Cluster to local agencies throughout the state for their highway construction projects. The Department spent about $616 million on highway projects during fiscal year 2018. Of that amount, $199 million was passed through to local agencies as subawards.

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

Description of Condition

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

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

This condition was not reported in the prior audit.

Cause of Condition

Local Programs staff thought they complied by including a reference to federal requirements in the local agency boilerplate agreement. However, suspension and debarment requirements cannot be met by referencing a federal regulation because explicit language is required to be included in the contract.

Additionally, the regulation referenced by the Department is not the one containing the requirements for suspension and debarment.

Effect of Condition

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

Recommendations

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

Department's Response

We appreciate the State Auditor's Office (SAO) audit of the Federal Highway Program. WSDOT is committed to ensuring our programs comply with federal regulations. We understand it is SAO's point of view that the Department did not have adequate contract language in place to verify that Local Agencies were not suspended or debarred. We are in the process of updating our Local Agency Manual to include an appropriate clause so that Local Agencies certify that they are not suspended or debarred.

The risk that any of the Local Agencies that receive federal awards from WSDOT are suspended or debarred is very low. WSDOT Local Programs staff determined that none of the Local Agencies that received payments for FY 2018 were either suspended or debarred.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls. The non-Federal entity must:

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

Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit reporting, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.
Probable. The future event or events are likely to occur.
Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
Material noncompliance. In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

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

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

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

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

Subpart B – Covered Transactions
A covered transactions is a nonprocurement or procurement transactions that is subject to the prohibitions of this part. It may be a transaction at –
(a) The primary tier, between a Federal agency and a person (see appendix to this part); or
(b) A lower tier, between a participant in a covered transaction and another person. Subpart C–Responsibilities of Participants Regarding Transactions Doing Business With Other Persons

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

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:
(a) Checking SAM Exclusions; or
(b) Collecting a certification from that person; or
(c) Adding a clause or condition to the covered transaction with that person

2018-012 The Department of Transportation did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster.

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

Background

The Washington Department of Transportation (DOT) Local Programs Office administers federal funding under the Highway Planning and Construction Cluster to local agencies throughout the state for highway construction projects. Cities, counties, ports, tribes, districts, councils and boards can all be considered local agencies. Every project is funded under its own subaward, called a local agency agreement. The Department spent about $616 million in federal funds on highway projects during fiscal year 2018. Of that amount, $199 million was passed through to local agencies as subawards.

To determine the appropriate level of monitoring, federal regulations require the Department to evaluate each subrecipient's risk of noncompliance with federal statutes and regulations, and the terms and conditions of the subaward. During fiscal year 2018, the Department awarded about $260 million in new subawards to 144 separate local agencies for over 400 highway construction projects across the state.

Staff in the Local Programs Office at DOT headquarters perform onsite monitoring of every local agency with an open and active project once every three years, and staff in the six regional offices perform a documentation review of each local agency in their respective regions annually.

Description of Condition

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

The Department had no policies or procedures in place that address how risk assessments of subrecipients should be performed and documented. When the Department prepares to monitor or review an agency, it selects an open and active project and evaluates the agency based on its performance under that project. The Department had written procedures for performing subrecipient monitoring at both the regional and headquarters levels that directed staff to consider various factors such as the complexity of the projects and past performance of the agency when determining which project to select. It did not, however, require staff to perform a risk assessment of the agency to determine the appropriate level of monitoring as required by federal regulations.

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

This condition was not reported in the prior audit.

Cause of Condition

Management did not ensure the Department met the federal requirement to perform risk assessments of subrecipients. Management at headquarters said they thought the Department was already meeting the requirement through its onsite monitoring process. Local Program Engineers in the six regions who were responsible for performing subrecipient monitoring said they considered various risk factors when determining which project to select for their documentation reviews, but were not aware of the federal requirement to perform risk assessments of subrecipients.

Effect of Condition

By not performing risk assessments of subrecipients, the Department is less likely to detect whether subrecipients comply with grant terms and federal regulations. Without written policies and procedures, the Department cannot ensure risk assessments are performed consistently and analyze the proper criteria, which would ensure consistency in determining the appropriate amount of monitoring for each subrecipient.

Recommendations

We recommend the Department establish and follow adequate internal controls to ensure required risk assessments are performed. Examples include:

- Establish policies and procedures that require staff to conduct risk assessments for all new subawards and provide criteria that staff should consider when they perform the assessments
- Maintain documentation to show the required risk assessments were performed, which would allow management to monitor the results and demonstrate compliance with federal requirements

Department's Response

We appreciate the State Auditor's Office (SAO) audit of the Federal Highway Program. WSDOT is committed to ensuring our programs comply with federal regulations and understand it is SAO's point of view documentation must be maintained in order to verify WSDOT's compliance with the requirement to assess risk to inform our monitoring of local agencies. We will work with the necessary parties to develop a system for documenting risk assessments of subrecipients which not only meet audit standards, but provides benefit to the agency.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

> Section 200.303 Internal controls, states in part:
> The non-Federal entity must:
>
> > (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
> >
> > (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
> >
> > (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
>
> Section 200.516 Audit findings, states in part:
>
> > (a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
> >
> > > (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
> > >
> > > (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

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

(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

(1) The subrecipient's prior experience with the same or similar subawards;

(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;

(3) Whether the subrecipient has new personnel or new or substantially changed systems; and

(4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

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

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

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

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

2018-013 The Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Highway Planning and Construction Cluster.

Federal Awarding Agency:	U.S. Department of Transportation	
Pass-Through Entity:	None	
CFDA Number and Title:	20.205	Highway Planning and Construction Cluster
	20.219	
	20.224	
Federal Award Number:	Too numerous to list. All approved sub-award projects under the Stewardship and Oversight Agreement	
Applicable Compliance Component:	Special Tests and Provisions: Wage Rate Requirements	
Known Questioned Cost Amount:	None	

Background

The Washington State Department of Transportation (Department) receives federal funding under the Highway Planning and Construction Cluster for highway construction projects throughout the state. Some of these projects are awarded to contractors who perform the work on behalf of the Department. The Department spent about $616 million in federal Highway Planning and Construction Cluster funds during fiscal year 2018.

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

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

The Department has field inspectors on-site during construction work to ensure projects are completed in accordance with contract specifications. For every day of the week when contract work is performed, the inspector completes an Inspector Daily Report (IDR) and documents if there was any labor or mechanical work that day. The IDRs are submitted to the project office, which reviews them to determine if any contractors are required to submit certified payrolls for that week.

The Department publishes the *Standard Specifications for Road, Bridge, and Municipal Construction,* which requires contractors to submit certified payrolls to the Department within 10 calendar days of the end of each weekly payroll period. It also specifies that if their certifications are not submitted in a timely manner, the Department can withhold payment from contractors and enact other sanctions as necessary.

Description of Condition

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

We used a statistical sampling method and randomly sampled 59 weeks in which work was performed on a specific construction contract. The 59 weeks included 270 certified payrolls collected for prime contractors and subcontractors under 46 different contracts.

Collecting certified payroll

The Department did not collect all certified payrolls as required. Based on the IDRs completed by Department field inspectors, we determined certified payrolls were missing for five of the 59 weeks we examined. These five weeks were missing 11 of 49 required certified payrolls.

Of the 270 certified payrolls we examined, 119 were not submitted within 10 calendar days as required. On average, these payrolls were 39 days late, and seven were over 200 days late.

For an additional 132 certified payrolls, we could not determine if they were collected in a timely manner because the Department did not document when they were received.

Internal controls and review of certified payroll

For 13 of the 59 weeks examined, we found inconsistencies between what was reported on the IDRs, what was recorded in the documentation used to track certified payroll and the certified payroll forms:

- For one contract that used a design-build contractor, we reviewed two separate weeks. The Department provided 53 contractor files in response to our request for certified payroll documentation. We determined:
    - Eighteen of these contractors were on the IDRs completed by the Department, but were not on the IDRs completed by the design-build contractor. Three of these 18 contractors also were not on the Department's tracking spreadsheet.
    - Of the remaining 35 contractors, 33 were not on any of the IDRs. Two contractors were on the IDRs completed by the design-build contractor, but were not on the Department's IDRs; certified payroll was provided for these two contractors.
    - Certified payrolls were provided for 29 of the contractors that were not on any IDRs.
- For two weeks, a contractor was reported on the IDR but was not on the documentation used to track certified payroll.
- For one week, the certified payroll was dated as being submitted six days before the end of the pay period.
- For one week, the certified payroll submitted by one contractor lacked the signature page.

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

This condition was not reported in the prior audit.

Cause of Condition

Management did not adequately monitor to ensure compliance with federal requirements. There were no written policies and procedures describing how staff should collect and account for all required certified payroll.

According to Department headquarters, the project offices should be using a tracking mechanism, such as a spreadsheet, to ensure all required certified payrolls are collected from the contractor. However, Department headquarters staff also said they do not provide a specific form for project offices to use or procedure to follow and leave it up to each project office to determine their tracking method. Project offices are allowed discretion in how to operate their offices. Offices vary in size and workload.

Staff in two different project offices told us they do not have any documentation or method for ensuring all required certified payrolls are collected. Staff in a third project office said they had never been provided with any instruction or standard processes for collecting and tracking certified payroll.

Effect of Condition

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

Recommendations

We recommend the Department:

- Establish written policies and procedures for staff to follow to ensure all required certified payrolls are collected from the contractor in a timely manner
- Collect the certified payroll from all prime contractors and subcontractors for each week in which labor and/or mechanical work was performed within 10 days of the week ending, as required

Department's Response

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

After consulting with the Federal Highway Administration (FHWA) and our additional research, we believe our process complies with the Davis-Bacon Act and federal regulations for contractor payment of prevailing wages. Please consider FHWA's February 6, 2019 email in support of our agency's compliance with the regulations at issue, as referenced in our technical response of February 8th.

The draft audit finding did not take into account the nature of the contractual relationship between the contractor and WSDOT as the owner. The owner's compliance with the Davis-Bacon Act and regulations cited in the finding is determined by collective actions and not merely by how many payrolls are collected from the contractor within a 10 day window. WSDOT, in close consultation with FHWA, has established a contract administration processes with contingencies built in to address and correct for contractor noncompliance. WSDOT and the contractor share the responsibility to apply and enforce *the prevailing wage rate requirements in Federal-aid contracts. FHWA guidance recommends actions to take if a contractor is habitually late in submitting payrolls, but leaves it up to WSDOT to determine when sanctions should be imposed. WSDOT's Standard Specifications (1-07 .9(5)) on certified payrolls aligns with FHW A guidance. Sanctions are imposed as appropriate during the life of a contract.*

Further, WSDOT will not close a project until they have addressed all certified payrolls. Through additional research, the WSDOT Construction Office has confirmed that our project offices have collected all but one of the 262 certified payrolls in question, and has taken action, such as withholding of funds, against contractors who submitted payrolls habitually late.

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

Auditor's Concluding Remarks

The Department states it confirmed all but one certified payroll was received, which is not consistent with our audit results. After performing our testing, we provided the results to management and gave the Department the opportunity to provide additional documentation for our review. No further documentation was provided by the Department.

The Department states it has processes in place to ensure compliance is achieved before a construction project closes. The purpose of collecting certifications timely, however, is so the Department can ensure workers on federal projects they oversee are being paid the proper wages. Collecting them significantly late does not allow for non-compliance to be detected and addressed in a timely manner.

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

Applicable Laws and Regulations

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

> Section 200.303 Internal controls, states in part:
>
> The non-Federal entity must:
>
> (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
>
> (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

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

5.5 Contract provisions and related matters.

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

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

the time actually worked therein: *Provided,* that the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under paragraph (a)(1)(ii) of this section) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers.

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

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

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

(*2*) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3;

(*3*) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

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

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

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

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

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

1-07.9(5) Required Documents

Certified payrolls are required to be submitted by the Contractor to the Engineer, for the Contractor and all Subcontractors or lower tier subcontractors, on all Federal-aid projects and, when requested in writing by the Engineer, on projects funded with only Contracting Agency funds. If these payrolls are not supplied within 10 calendar days of the end of the preceding weekly payroll period for Federal-aid projects or within 10 calendar days from the date of the written request on projects with only Contracting Agency funds, any or all payments may be withheld until compliance is achieved. Also, failure to provide these payrolls could result in other sanctions as provided by State laws (RCW 39.12.050) and/or Federal regulations (29 CFR 5.12). All certified payrolls shall be complete and explicit. Employee labor descriptions used on certified payrolls shall coincide exactly with the labor descriptions listed on the minimum wage schedule in the Contract unless the Engineer approves an alternate method to identify the labor used by the Contractor to compare with the labor listed in the Contract Provisions. When an apprentice is shown on the certified payroll at a rate less than the minimum prevailing journey wage rate, the apprenticeship registration number for that employee from the State Apprenticeship and Training Council shall be shown along with the correct employee classification code.

2018-014 The Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Federal Transit Cluster.

Federal Awarding Agency:	U.S. Department of Transportation	
Pass-Through Entity:	None	
CFDA Number and Title:	20.500	Federal Transit – Capital Investment Grants (Fixed Guideway Capital Investment Grants)
	20.507	Federal Transit – Formula Grants (Urbanized Area Formula Program)
	20.525	State of Good Repair Grants Program
	20.526	Bus and Bus Facilities Formula Program
Federal Award Number:	WA-2016-028-00; WA-2016-029-00; WA-2017-022-00; WA-2017-024-00; WA-2018-006-01; WA-2018-021-01; WA-90-X604-00	
Applicable Compliance Component:	Special Tests and Provisions: Wage Rate Requirements	
Known Questioned Cost Amount:	None	

Background

The Washington State Department of Transportation (Department), State Ferries Division, receives federal funding under the Federal Transit Cluster to fund projects for:

- Constructing new or extending fixed guideway systems or corridor based rapid transit systems
- Assisting in financing the planning, acquisition, construction, preventive maintenance and improvement of facilities and equipment in public transportation services
- Maintaining, rehabilitating and replacing transit assets for fixed guideway transit systems

Some of these projects are awarded to contractors who perform the work on behalf of the Department. The Department administers and oversees federally funded construction projects, including construction and renovation of ferry terminals, as well as the construction of new, or preservation of existing, ferry vessels. The Department spent almost $70 million in Federal Transit Cluster funds during fiscal year 2018.

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

The Department has field inspectors onsite during construction work to ensure projects are completed in accordance with contract specifications and federal guidelines. For every day of the week when contract work is performed, the inspector completes an Inspector Daily Report (IDR) and documents if there was any labor or mechanical work performed that day. The IDRs are submitted to the project office, which reviews them to determine if any contractors are required to submit certified payrolls for that week.

The Department publishes the *Standard Specifications for Road, Bridge, and Municipal Construction,* which requires contractors to submit certified payrolls to the Department within 10 calendar days of the end of each weekly payroll period. It also specifies that if their certifications are not submitted in a timely manner, the Department can withhold payment from contractors and enact other sanctions as necessary.

Description of Condition

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

We used a non-statistical sampling method to select 15 out of 105 weeks in which work was performed on a specific construction contract. The 15 weeks included 111 certified payrolls collected for prime contractors and subcontractors under four different federally funded contracts.

Collecting certified payrolls

The Department did not collect all certified payrolls as required. Based on the IDRs completed by Department field inspectors, we determined certified payrolls were missing for three of the 15 weeks we examined. These three weeks were missing three of 11 required certified payrolls.

Of the 111 certified payrolls we examined, 46 were not submitted within 10 calendar days as required. On average, these payrolls were 20 days late. Five were over 60 days late.

For an additional three certified payrolls, we could not determine if they were collected in a timely manner because the Department did not document when they were received. We also identified two certified payrolls that did not contain a Statement of Compliance signed by the preparer (either the prime contractor, or a subcontractor).

Internal controls and review of certified payroll

For eight of the 15 weeks examined, we found inconsistencies between what was reported on the IDRs, what was recorded in the documentation used to track certified payroll, and the supporting documentation received from the contractors:

- For six weeks, certified payrolls were provided for 10 contractors that were not on any IDRs.
- For three weeks, the IDRs indicated four contractors performed labor; however three of the four contractors submitted Statements of No Work Performed. The fourth contractor did not submit a certified payroll until two months after the audit period ended, which was received about 10 months after the corresponding payroll period ended.
- For three weeks, contractors were listed in the IDR but were not on the documentation used to track certified payroll.
- For two weeks, the certified payroll submitted by one contractor lacked a signature.

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

This condition was not reported in the prior audit.

Cause of Condition

Management did not adequately monitor to ensure compliance with federal requirements. There were no written policies and procedures describing how staff should collect and account for all required certified payroll.

According to Department headquarters, the project offices should be using a tracking mechanism, such as a spreadsheet, to ensure all required certified payrolls are collected from the contractor. However, there is no standardized form for project offices to use or procedure to follow to track certified weekly payrolls. Project offices are permitted to determine their own tracking method for contracts under their supervision.

In addition, Chief Inspectors and Project Engineers did not adequately review IDRs to identify all contractors required to submit certified payrolls for the corresponding week. In the case of certified payrolls that were never provided by the contractor, the discrepancies between payroll that was submitted and the vendors listed by the Site Inspectors in the IDR were not detected and communicated to those responsible for processing the vendor pay estimates.

Effect of Condition

When the Department does not collect all certified payrolls, it cannot ensure that laborers under federally funded construction contracts are paid the local prevailing wages as required by law. By not collecting certified payrolls weekly, the Department is not complying with federal requirements, and may be subject to actions by the federal grantor.

Recommendations

We recommend the Department:

- Establish written policies and procedures for staff to follow to ensure all required certified payrolls are collected from the contractor in a timely manner
- Collect the certified payrolls from all prime contractors and subcontractors for each week in which labor and/or mechanical work was performed within 10 days of the week ending, as required
- Consider assessing sanctions on noncompliant contractors in accordance with the Standard Specifications, such as withholding any or all payments, as necessary when certified payroll is not submitted within 10 days as required

Department's Response

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

After consulting with both the Federal Transit Administration (FTA) and the Federal Highway Administration (FHW A) and our additional research, we believe our process complies with the Davis-Bacon Act and federal regulations for contractor payment of prevailing wages.

The draft audit finding did not take into account the nature of the contractual relationship between the contractor and WSDOT as the owner. The owner's compliance with the Davis-Bacon Act and regulations cited in the finding is determined by collective actions and not merely by how many payrolls are collected from the contractor within a 10 day window. WSDOT has established a contract administration processes with contingencies built in to address and correct for contractor noncompliance. WSDOT and the contractor share the responsibility to apply and enforce the prevailing wage rate requirements in Federal-aid contracts. Federal guidance recommends actions to take if a contractor is habitually late in submitting payrolls, but leaves it up to WSDOT to determine when sanctions should be imposed. WSDOT's Standard Specifications (1-07.9(5)) on certified payrolls aligns with this federal guidance. Sanctions are imposed as appropriate during the life of a contract.

Further, WSDOT will not close a project until they have addressed all certified payrolls. Through additional research, the WSDOT Ferries Division has confirmed that we have collected all of the 52 certified payrolls in question, and have taken action or will take action in case of open contracts, such as withholding of funds, against contractors who submitted payrolls habitually late.

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

Auditor's Concluding Remarks

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

The Department states it has processes in place to ensure compliance is achieved before a construction project closes. The purpose of collecting certifications timely, however, is so the Department can ensure workers on federal projects they oversee are being paid the proper wages. Collecting them significantly late does not allow for non-compliance to be detected and addressed in a timely manner.

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

5.5 Contract provisions and related matters.

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

(1) *Minimum wages.* (i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents

thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of paragraph (a)(1)(iv) of this section; also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period. Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in §5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: *Provided*, that the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under paragraph (a)(1)(ii) of this section) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers.

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

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

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

(*2*) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3;

(*3*) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

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

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

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

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

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

1-07.9(5) Required Documents

Certified payrolls are required to be submitted by the Contractor to the Engineer, for the Contractor and all Subcontractors or lower tier subcontractors, on all Federal-aid projects and, when requested in writing by the Engineer, on projects funded with only Contracting Agency funds. If these payrolls are not supplied within 10 calendar days of the end of the preceding weekly payroll period for Federal-aid projects or within 10 calendar days from the date of the written request on projects with only Contracting Agency funds, any or all payments may be withheld until compliance is achieved. Also, failure to provide these payrolls could result in other sanctions as provided by State laws (RCW 39.12.050) and/or Federal regulations (29 CFR 5.12). All certified payrolls shall be complete and explicit. Employee labor descriptions used on certified payrolls shall coincide exactly with the labor descriptions listed on the minimum wage schedule in the Contract unless the Engineer approves an alternate method to identify the labor used by the Contractor to compare with the labor listed in the Contract Provisions. When an apprentice is shown on the certified payroll at a rate less than the minimum prevailing journey wage rate, the apprenticeship registration number for that employee from the State Apprenticeship and Training Council shall be shown along with the correct employee classification code.

2018-015 The Department of Transportation, State Ferries Division, did not have adequate internal controls over and did not comply with equipment management requirements.

Federal Awarding Agency:	U.S. Department of Transportation	
Pass-Through Entity:	None	
CFDA Number and Title:	20.500	Federal Transit – Capital Investment Grants (Fixed Guideway Capital Investment Grants; Section 5309)
	20.507	Federal Transit – Formula Grants (Urbanized Area Formula Program; Section 5307)
	20.525	State of Good Repair Grants Program (Section 5337)
	20.526	Bus and Bus Facilities Formula Program
Federal Award Number:	WA-2016-028-00; WA-2016-029-00; WA-2017-022-00; WA-2017-024-00; WA-2018-006-01; WA-2018-021-01; WA-90-X604-00	
Applicable Compliance Component:	Equipment and Real Property Management	
Known Questioned Cost Amount:	None	

Background

The Washington State Department of Transportation (Department), State Ferries Division (Division), receives federal funding under the Federal Transit Cluster to fund projects for:

- Constructing new or extending fixed guideway systems, or corridor based rapid transit systems
- Assisting in financing the planning, acquisition, construction, preventive maintenance, and improvement of facilities and equipment in public transportation services
- Maintaining, rehabilitating and replacing transit assets for fixed guideway transit systems

The Department receives federal grant funds to purchase equipment for ferry vessels as well as for maintenance, preservation, and improvement activities. The Division operates the largest ferry system in the United States, transporting over 25 million passengers annually to 20 different ports within Washington and British Columbia. There are currently 23 ferry vessels in operation.

To sustain its ferry operations, the Division purchases ferry parts and equipment from approved distributors of electromotive-diesel engine components. These components are purchased to replace engines approaching the end of their useful life, or vital engine components in need of repair. Equipment acquired with grant funds includes full engine assemblies, radar equipment, display units, and engine rebuild kits containing turbochargers, power packs, injectors, intercoolers, water pumps and other miscellaneous components.

Federal requirements stipulate that states receiving federal funds must use, manage and dispose of equipment in accordance with the state's laws and procedures. In Washington, the State Administrative and Accounting Manual (SAAM), published by the Office of Financial Management, specifies how agencies must manage and account for equipment. SAAM defines equipment as tangible property other than land, buildings, improvements other than buildings, or infrastructure, which is used in state operations and with a useful life of more than one year. For these assets, agencies are required to:

- Mark and identify both capitalized and non-capitalized assets
- Conduct physical inventories of state-owned assets
- Establish a capitalized asset inventory system, which includes how to add and remove assets from the inventory
- Implement an inventory records policy
- Reconcile physical inventories
- Establish policies and procedures for reporting surplus, lost and/or stolen items

The Department's Purchasing and Materials Management Office (PMMO) is responsible for monitoring equipment and inventories for the entire Department. SAAM requires agencies to use the State's Capital Asset Management System (CAMS) to manage capitalized asset inventories. Prior written approval from the Department of Enterprise Services (DES), Office of the Chief Information Officer must be obtained by the agency if it chooses to acquire and implement an alternative inventory management system.

In fiscal year 2018, the Department acquired more than $4.4 million of equipment with Federal funds awarded under the Federal Transit Cluster.

Description of Condition

The Department of Transportation, State Ferries Division, did not have adequate internal controls over and did not comply with equipment management requirements.

Internal controls

We identified the following internal control weaknesses:

- The Division has not established its own policies or procedures for Equipment management and inventories of equipment and did not follow other documented Department-level policies.
- The Division did not use CAMS to manage assets and did not have documented prior approval from DES to use an alternative inventory management system.
- The Department could not produce an aggregate list of all federally funded equipment acquired under the Cluster.
- The alternative inventory management system does not allow for documentation of the following required information about the equipment: the source of funding for the asset, the percentage of federal participation in the project costs for the federal award in which the asset(s) was acquired, salvage value, serial number of the asset, depreciation, useful life (in months or years) and the date of disposal.
- Division staff conducting the biennial physical inventory of equipment did not communicate results of the inventory to PMMO.
- The Department's Inventory Officer did not perform a reconciliation of the physical inventory of the Division's equipment to ensure accuracy and completeness as required. Additionally, the

Inventory Officer did not have access to the alternative inventory management system that was used by the Division.

- The most recent inventory was not done within two years of the last one as required. The Department could not provide the documentation for the prior inventory, so we could not determine how long overdue it was.

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

Sampling methodology

The Division could not provide a complete report of all equipment acquired with funding awarded through the Federal Transit Cluster without reviewing purchase documentation for all historical equipment purchases. To perform testing, we obtained copies of all 16 purchase orders executed by the Division to acquire equipment, including engines and engine components, during the audit period.

We reviewed all items purchased by the Division and identified 155 items that met the state's capitalized asset threshold, which includes a per-unit cost of $5,000 or more, and a useful life of at least one year. Because the Department did not separately track items of the same asset classification, we summarized the total purchases of each item classification from each purchase order, and arrived at a total of 48 purchases totaling about $2.4 million in federally funded equipment.

We used a non-statistical sampling method and randomly sampled 10 of a total population of 47 equipment purchases to test for compliance with state requirements for inventory records. We also separately examined one individually significant item.

Evaluation of compliance

The property records for each of the 11 tested items (100 percent) lacked the following required fields: agency name, account code, class code, depreciation amount, ownership status (federal participation percentage), salvage value, serial number and useful life. Six of the 11 tested items were also not inventoried by the Department as part of the most recent physical inventory count.

In addition to the areas noted above, the Department did not assign an inventory control number, or asset tag to the individually significant item, which is a requirement under State policies.

This condition was not reported in the prior audit.

Cause of Condition

Internal controls

PMMO believed the Division was adhering to the requirements outlined in WSDOT inventory manuals. However, the Division was using a separate internally developed system to manage its inventory.

PMMO was not granted access to the inventory system because the Division did not inform them it was using an alternative inventory management system. The Department relied on the Division to ensure physical inventories of all its equipment were conducted each biennial cycle without independently verifying the inventory reconciliations were accurate and complete.

The Department was not aware of the requirement to obtain approval from DES to develop and implement alternative inventory management systems for capitalized assets.

Evaluation of compliance

The Department and the Division were not aware of the fields required to be documented in agency property records for capitalized assets. The engine that did not receive an inventory control number or asset tag lacked those identifiers due to the purchase order agreement with the vendor containing a provision to ship the engine directly to the vessel shipyard, thereby bypassing the Division warehouse where items are typically sent and input into the inventory management system.

The Department did not perform the last inventory within two years of the prior one because the Inventory Agent for the Division was not instructed to inventory federally funded equipment. The Division could not produce physical inventory reports from previous years; therefore, we could not determine if federal equipment had ever been inventoried by the Division.

Effect of Condition

By not establishing adequate internal controls over its management of equipment, the Department is at a higher risk of failing to detect asset losses. Additionally, when the Department does not record the ownership status of an asset, it cannot determine whether proceeds from the sale of the item should be repaid to the federal grantor.

Recommendations

We recommend the Department:

- Improve its internal controls to ensure all additions to and removals from the Division's inventory are overseen by the appointed agency inventory officer, as required by the SAAM
- Ensure physical inventory reconciliations are verified by the Agency Inventory Officer, or their delegate, for accuracy and completeness
- Ensure Department inventory policies and procedures are followed
- Ensure a physical inventory is conducted at least every two years as required and is reconciled, and supporting documentation is maintained
- Request approval from DES to continue to use an alternative capitalized asset inventory management system or use an approved system
- Ensure its inventory management system contains all fields required under state policy
- Update existing property records for all federal equipment to include all fields required under state policy

Department's Response

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

It is our position that the parts in question from the audit are not capital assets and the requirements cited in the audit finding do not apply to these parts. The parts in question have no utility to the state until they are installed on a larger assembly or depreciable asset, in this case one of our ferry vessels. Once installed, the parts cease to be a discrete item and are part of the vessel. Where an installed part meets the definition of a betterment as defined in State Administrative and Accounting Manual 30.20.20.c, then it is capitalized and depreciated as part of the vessel. Where a part does not meet the definition of a betterment, it is expensed when purchased.

We appreciate the importance of safeguarding these parts through their installation on one of our vessels and accounting for them properly. In the ordinary course of business purchased parts are delivered to the warehouse and almost immediately transferred to the vessel. Occasionally, a vessel's scheduled maintenance will be delayed due to operational needs, and parts will be stored in the warehouse.

We will follow up with the Office of Financial Management for any recommendations on accounting for the parts in question. We look forward to working with your staff in the next audit to resolve any remaining items in this finding.

Auditor's Concluding Remarks

The audit did not address how the Department depreciates or expenses its assets. We are reporting on deficiencies in how the Department tracks, safeguards and conducts inventories of its assets in order to ensure they are all accounted for. We appreciate that the Department plans to work with the Office of Financial Management as they are responsible for establishing state agency requirements for managing equipment.

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.313 Equipment, states in part:
(b) A state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures.

Section 200.516 Audit findings, states in part:

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

    (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.
Probable. The future event or events are likely to occur.

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
Material noncompliance. In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

The Washington State Office of Financial Management, State Administrative and Accounting Manual (SAAM), Chapter 30 – Capital Assets, states in part:

30.10.10 Purpose of these policies
The purpose of these policies is to establish the minimum requirements for a capital assets inventory system.

30.10.30 Applicability of these policies
This chapter is applicable to all agencies of the state of Washington as defined in RCW 43.88.040(4), unless otherwise exempted by statute or rule.

30.10.40 Responsibilities of the State Agency
Establish a capital asset inventory system (refer to subsection 30.40.30) that:

- Provides control and accountability over capital assets, and
- Gathers and maintains information needed for the preparation of financial statements.

The agency head must designate, in writing, one or more Agency Inventory Officers to be responsible for maintaining and safeguarding the agency’s capital assets. Agencies are responsible for developing internal policies and procedures to protect and control the use of all capital assets.

30.20.20 When to capitalize assets

The state’s capitalization policy is as follows:

- The state highway system operated by the Department of Transportation;
- Infrastructure, other than the state highway system, with a cost of $100,000 or greater;
- Buildings, building improvements, improvements other than buildings, and leasehold improvements with a cost of $100,000 or greater;
- All other capital assets with a unit cost (including ancillary costs) of $5,000 or greater, or collections with a total cost of $5,000 or greater, unless otherwise noted

30.30.10 Mark all inventoriable capital assets

Mark all inventoriable capital assets upon receipt and acceptance to identify that the property belongs to the State of Washington, except as noted in Subsection 30.30.30 below.

This identification should:

- Facilitate accounting for the asset;
- Aid in its identification if the asset is lost or stolen;
- Discourage theft; and ultimately,
- Reduce the magnitude of the state's property losses.

30.30.20 How capital assets should be marked

a. Permanently affix the identification information to the asset by using a standardized adhesive tag or inscribing the asset according to the following format:

- Washington State (or state seal insignia)
- Agency Name (or authorized abbreviation or agency number)
- Optional Bar Code, and
- Assigned Control Number

b. Agencies may determine where to place the "Washington State" identification and control number on the capital asset. However, the identification and control number should be located on the principal body of the asset, rather than a removable part.

30.30.30 When it is OK not to mark a capital asset

Occasionally, an agency will find it is impractical or impossible to mark some of its inventoriable capital assets according to these standards. For example, where a capital asset:

- Would lose significant historical or resale value (such as art collections or museum and historical collections);
- Would have its warranty negatively impacted by being permanently marked
- Is stationary in nature and is not susceptible to theft (such as land, infrastructure, buildings, improvements other than buildings, and leasehold improvements);
- Has a unique permanent serial number that can be used for identification, security and inventory control (such as vehicles); or
- Is an intangible asset that lacks physical substance.

In these cases, the identification "Washington State" or state seal insignia is not required, and the agency is to apply alternative procedures to inventory and identify such assets as "Washington State."

30.30.50 Capital asset inventory tags and control numbers need to be controlled

Responsibility for controlling capital asset control numbers rests with the agency's inventory officer. Agencies are to ensure that adequate controls for safeguarding unissued, mutilated, and voided capital asset inventory tags are established.

30.40.10 Which assets need to be inventoried and cataloged?

The following assets are inventoriable assets and must be carried on the property records of an agency:

All assets meeting the state's capitalization policy (refer to Subsection 30.20.20),

30.40.30 Capital asset inventory system requirements

Agencies are to maintain a capital asset inventory system that includes records for all inventoriable assets.

Agencies are to use the Capital Asset Management System (CAMS) for all assets that meet the state's capitalization policy. Agencies may use an alternate in-house system provided written approval from the Office of the Chief Information Officer (OCIO) is obtained prior to initiating acquisition or development of the system. Refer to Subsection 80.30.88.

The following are required to be included in the inventory records:

> **Agency Name and Code Number** - The agency name and three-digit agency code number.
>
> **Account** - For proprietary and trust fund type accounts, this is the account in which the asset is being used. This may or may not be the original purchasing account.
>
> For governmental fund type accounts, this is the account that originally purchased the asset. For those assets acquired prior to July 1, 1982, for which an account cannot be identified or is no longer in existence, such assets are to be identified as assets of the General Fund.
>
> **Acquisition Date** - The date the agency takes title to, or assumes responsibility for, an asset.
>
> **Class Code** - The code assigned to a capital asset that correlates to a descriptive title. Refer to Subsection 30.50.10 for Schedule A-Capital Asset Class Codes and Useful Life Schedule.
>
> **Cost** - The total cost (value) assigned to the asset. Refer to Subsection 30.20.10 for clarification.

Depreciation - The portion of the cost of a capital asset representing the expiration in the service life of the asset attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and/or obsolescence which is charged systematically over the useful life of the capital asset. Refer to Subsection 30.20.70. This element is not applicable to small and attractive assets.

Description - Name of the asset.

Disposal Authorization - When required, either the number assigned by the Office of the Chief Information Officer/Technology Services Board (for information technology related equipment and proprietary software) or the Department of Enterprise Services (for all other capital assets), granting an agency the authority to dispose of an asset or as provided by specific statutory authority. Refer to Subsection 30.40.45.

Disposal Date - With proper authorization, the date that the agency officially relinquishes responsibility for the asset.

Inventory Control Number - The control number inscribed on, or contained on the inventory tag attached or referring to, an asset.

Location Code - The identification code of the county in which the asset is located. Refer to Subsection 30.50.20 for Schedule B for Location (County) Codes.

Manufacturer - The name of either the manufacturer or the commonly accepted trade name; if none, then vendor name.

Order Number - The number of the purchasing document used for the acquisition of the asset.

Ownership Status - An indication as to possible claims against the asset by outside parties (e.g., federal government).

Quantity - The physical count of the inventoriable items. For equipment, this number is to be expressed as whole units; for buildings, as square feet; for land, in acres to the nearest tenth, except for tidelands and shorelands which are to be expressed in front footage; and for construction in progress, as number of capital projects under construction.

Salvage Value - The estimated portion of a capital asset's cost that is recovered at the end of its service life less any disposal costs. This element is not applicable to small and attractive assets.

Serial Number - The sequential identification number assigned by the manufacturer. Do not confuse this number with the model number.

Useful Life - The estimated useful life of the capital asset in years or months. Refer to Subsection 30.50.10 for Schedule A - Capital Asset Class Codes and Useful Life Schedule. This element is not applicable to small and attractive assets.

30.40.40 Adding capital assets to the inventory

Upon receipt and acceptance of an inventoriable asset, the agency inventory officer is responsible for supervising the addition of the asset to the inventory system. This includes assigning tagging responsibilities to specific individuals as well as developing and implementing procedures to ensure that the necessary information is entered into the agency's capital asset inventory system.

30.45.10 Physical inventory frequency

Conduct physical inventories at least once every other fiscal year for all inventoriable assets except as noted below.

Due to the stationary nature of certain assets (such as land, infrastructure, buildings, improvements other than buildings, and leasehold improvements), performing a physical inventory every other fiscal year is not required.

Agencies may conduct their capital assets inventory on a revolving basis if the following conditions are met:

- Every item is subject to a physical count or verification at least once every other fiscal year.
- The inventory program is documented and active.

As an alternative to conducting a physical inventory of every inventoriable asset at least once every other year, an agency may, pursuant to Subsection 1.10.50, request OFM approval for a risk based sampling approach to a physical inventory. Requests for approval and the agency's capital asset risk assessment are to be sent to the OFM Accounting Division. Documents submitted to OFM for approval should include:

- A capital asset risk assessment that identifies the objectives and risks of the capital asset cycle;
- Analysis of the control policies and procedures surrounding agency capital asset purchases, dispositions, impairments, inventorying and financial reporting; and
- The impact of the risk assessment on the sampling approach (i.e. which assets are high risk and therefore should be tested).

30.45.20 Who should conduct and verify the physical inventory?

In order to ensure objective reporting of inventory items, a physical inventory should be performed by personnel having no direct responsibility (custody and receipt/issue authority) for assets subject to the inventory count. If it is not feasible to use such personnel for any part of the inventory, then those portions are, at least, to be tested and verified by a person with neither direct responsibility for that portion of the inventory nor supervised by the person directly responsible.

30.45.30 Physical inventory instructions

Written physical inventory instructions must be documented and distributed to each person participating in the inventory process. The instructions should describe:

- How and where to record each item,
- What information to record
- What to do when they have a question
- What procedures to follow when they finish their assignments
- What procedures to follow when equipment is located but not listed,
- The procedure by which the person counting the assets attests to the accuracy of the count, such as by signing his or her name at the bottom of each inventory page, or signing a cover page for a group of pages sorted by another method (batches, location, equipment type, etc.) and
- How to record assets not being used or in an obviously unserviceable condition. Such information is to be used to schedule repair or disposition of such assets.

30.45.40 Physical inventory reconciliations

After the physical inventory count is completed, the agency inventory officer is to conduct the reconciliation process. When all differences have been identified and explained, the inventory is considered reconciled.

Agencies should conduct the following steps during the reconciliation process:

- Search the inventory lists to determine whether inventory noted during the count as unrecorded is, in fact, listed on another portion of the inventory.
- Enter unrecorded assets into the inventory system as soon as possible after discovery.
- If a significant number of unrecorded assets are located, indicating a major problem with the asset recording procedures, the agency inventory officer is to determine why the problem is occurring and correct it.
- Conduct a search in an effort to locate missing assets. For those assets not located, inventory officers are to follow procedures outlined in Subsection 30.40.80.

After the inventory is reconciled, the agency inventory officer is to certify the reconciliation with a statement and signature that it is correct and report this to the supervisor. If the certification cannot be made, the inventory officer is to disclose that fact and the supervisor is to determine the appropriate course of action.

The Washington State Office of Financial Management, State Administrative and Accounting Manual (SAAM), Chapter 35 – Inventories, states in part:

35.10.10 Policies in this chapter are minimum standards

The policies and procedures in this chapter are the minimum requirements for inventories that state agencies must meet. An agency may maintain its inventory system in greater detail, or use additional supporting documentation, as long as the agency meets the required minimum standards.

35.10.20 Applicability

All agencies of the state of Washington must comply with this chapter, unless otherwise exempted by statute. RCW 43.88.020 defines the term "Agency" to mean and include "every state office, officer, each institution, whether educational, correctional or other, and every department, division, board and commission, except as otherwise provided."
Agencies may request a waiver from complying with specific requirements of this chapter.

35.10.25 Agency responsibilities

The agency head must designate in writing, one or more Agency Inventory Officers to be responsible for maintaining and safeguarding the agency's inventories. These responsibilities include:

- Selecting appropriate inventory accounting methods and systems from acceptable alternatives (refer to Subsection 35.10.35 and Section 85.56);
- Developing and implementing policies and procedures to safeguard, control, and account for inventories;
- Defining inventory control point in the agency's written internal policies;
- Planning, conducting, and reconciling the physical inventory with inventory records;
- Documenting selected inventory valuation methods;
- Documenting physical inventory procedures; and
- Performing other duties necessary to account for and report inventories.

35.10.50 Inventory systems

a. Perpetual inventory system – A perpetual inventory system is one in which the inventory quantities and values for all purchases and issues are recorded directly in the inventory system as they occur. Perpetual inventory system balances are verified by means of periodic physical counts. A revolving physical count, where segments of inventories are counted at different times, may be used, provided all inventories are counted at least every other fiscal year.

The agency inventory officer is responsible for developing and implementing procedures for recording inventory additions as received and reductions as used.

35.10.55 Who should conduct the physical inventory?

The physical inventory, or inventory count, should be performed by persons with no direct responsibility (custody and receipt/issue authority) for the inventory. If it is not feasible to use such personnel for any part of the inventory, those parts are, at least, to be tested and verified by a person with no direct responsibility for the stock.

35.10.65 Physical inventory reconciliation and documentation

a. Perpetual inventory records must be reconciled with the physical count. The agency must investigate and explain differences, take corrective action when necessary, and adjust the accounting records per Section 85.56. When the reconciliation is complete, the agency inventory officer must certify in writing that the inventory was verified by counting and reconciliation.

2018-016 **The Department of Ecology did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Capitalization Grants for Clean Water State Revolving Funds program received required audits and management decisions on audit findings were issued in a timely manner.**

Federal Awarding Agency:	U.S. Environmental Protection Agency	
Pass-Through Entity:	None	
CFDA Number and Title:	66.458	Capitalization Grants for Clean Water State Revolving Funds
Federal Award Number:	CS-53000116; CS-53000117	
Applicable Compliance Component:	Subrecipient Monitoring	
Known Questioned Cost Amount:	None	

Background

Federal capitalization grants are awarded to the State to create and maintain the Clean Water State Revolving Fund (CWSRF). In addition to the capitalization grant, CWSRF program funds came from a required state match of 20 percent of the grant, principal repayments, and interest and investment earnings. For the state fiscal year 2018 funding cycle, the Department of Ecology issued binding commitments for 40 projects totaling $115 million from all funding sources. The purpose of the CWSRF is to provide below market rate loans and other assistance to help applicants meet the wastewater and other clean water needs of their communities.

The Department of Ecology (Department) implemented federal equivalency procedures in 2016. Equivalency refers to applying federal requirements only to an amount of CWSRF projects equal to the amount of the federal capitalization grant. The Department must track equivalency projects until disbursements are complete. The Department has identified 17 designated equivalency projects that are required to meet the single audit requirements, 10 of which were active during the audit period. Only expenditures related to the equivalency projects are considered to be made with federal funding.

Description of Condition

The Department of Ecology did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the CWSRF program received required audits and, if needed, management decisions on audit findings were issued in a timely manner.

We reviewed all five subrecipients that were awarded funds for the 10 active equivalency projects and found the Department did not review any of the audit reports within six months of issuance to determine if there were any findings and to issue a management decision if required.

We verified three of the audits included a finding that required the Department to issue a management decision.

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

This condition was not reported in the prior audit.

Cause of Condition

The Department established a spreadsheet to track subrecipient audit activity. However, the spreadsheet was not used during the audit period. No other processes were in place to monitor whether subrecipients received required audits and the Department issued a management decision, if required.

While the Department had established procedures to monitor and verify if subrecipients obtained required audits, it did not follow them. The Department had multiple staff working on different tracking spreadsheets, and it was unclear who was responsible for tracking the responses from subrecipients and notifying the CWSRF program staff.

Effect of Condition

Without establishing adequate internal controls, the Department cannot ensure all subrecipients that met the threshold for an audit complied with federal grant requirements. In addition, three subrecipients received audit findings that the Department did not issue a management decision on, as required.

Recommendations

We recommend the Department:

- Review all audits of federal equivalency projects within the required timeframes
- Follow up on all subrecipient audit findings related to those projects and issue a management decision promptly

Department's Response

Multiple people were working on the spreadsheets tracking subrecipients and it was not clear who should notify the programs of findings posted on the State Auditors Website. We have updated our procedures to clarify who notifies the Program of audit finding on subrecipients.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

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

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

(f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

2018-017 **The Department of Ecology did not have adequate internal controls over and did not comply with reporting requirements for the Capitalization Grants for Clean Water State Revolving Funds program.**

Federal Awarding Agency:	U.S. Environmental Protection Agency	
Pass-Through Entity:	None	
CFDA Number and Title:	66.458	Capitalization Grants for Clean Water State Revolving Funds
Federal Award Number:	CS-53000116; CS-53000117	
Applicable Compliance Component:	Reporting	
Known Questioned Cost Amount:	None	

Background

Federal capitalization grants are awarded to states to create and maintain Clean Water State Revolving Funds (CWSRF). In addition to the capitalization grant, CWSRF program funds come from a required state match of 20 percent of the grant, principal repayments, and interest and investment earnings. For the state fiscal year 2018 funding cycle, the Department of Ecology (Department) issued binding commitments for 40 projects totaling $115 million from all funding sources. The purpose of the CWSRF is to provide below market rate loans and other assistance to assist applicants in meeting the wastewater and other clean water needs of their communities.

The Department implemented federal equivalency procedures in 2016. Equivalency refers to applying federal requirements only to an amount of CWSRF projects equal to the amount of the federal capitalization grant. The Department is required to track equivalency projects until disbursements are complete. The Department has identified 17 designated equivalency projects that are required to meet the single audit requirements, ten of which were active during the audit period. Only expenditures related to the equivalency projects are considered to be made with federal funding.

The state is required to report financial information to the grantor annually for each federal grant it has received that remains open. The Department meets this requirement by submitting the SF-425 Federal Financial Report, no later than 90 days after the end of each reporting period.

Description of Condition

The Department of Ecology did not have adequate internal controls over and did not comply with reporting requirements for the Capitalization Grants for Clean Water State Revolving Fund program.

Once the Department adopted equivalency, only expenditures related to the Designated Equivalency Projects were considered federal funds for reporting purposes. However, when filing the SF-425 report, the Department reported its financial information based on the amount of federal funds it had drawn down from the grantor. This was the proper reporting method before equivalency, but after implementation, the Department should have reported amounts related to the equivalency projects.

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

Cause of Condition

Although the Department implemented equivalency procedures in 2016, it did not update its internal controls and processes related to reporting. In addition, the federal grantor did not provide clear guidance as to the proper implementation of equivalency procedures as they relate to financial reporting.

Effect of Condition

During the audit period, the Department had 10 active equivalency projects that were funded by the 2016 and 2017 capitalization grants. We reviewed the associated SF-425 reports and identified the following errors:

2017 capitalization grant	Amount reported	Correct amount	Amount over or under
Federal share of expenditures	$22,931,422	$22,656,752	$274,670
Federal share of unliquidated obligations1	$0	$10,097,240	($10,097,240)
Total federal share	$22,931,422	$32,753,992	($9,822,570)
Unobligated balance of federal funds	$124,578	($9,697,992)	$9,822,570
2016 capitalization grant	**Amount reported**	**Correct amount**	**Amount over or under**
Federal share of expenditures	$23,005,531	$79,547,338	($56,541,807)
Federal share of unliquidated obligations	$275,374	$4,071,476	($3,796,102)
Total federal share	$23,280,905	$83,618,814	($60,337,909)
Unobligated balance of federal funds	$0	($60,383,814)	$60,383,814

Notes:* ***Unliquidated obligations* *– amount of obligations incurred that have not been paid*
Unobligated balance of federal funds *– portion of funds authorized by the grantor that has not been obligated by the recipient*

Recommendations

We recommend the Department:

- Improve its internal controls to ensure it properly reports federal equivalency expenditures on its annual report
- Contact the federal grantor for clarification, if needed

Department's Response

Ecology has requested guidance from EPA region 10 regarding amounts that should be reported on the SF-425 Federal Financial Report and the SEFA – Schedule of Federal Assistance form for "Equivalency" projects.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

   (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

Title 2 U.S. Code of Federal Regulations Part 200, Appendix XI, Compliance Supplement 2017, Part 3-Compliance Requirements, states in part:

Section L. Reporting, states in part:

Financial Reporting

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

The financial reporting requirements for subrecipients are as specified by the pass-through entity. In many cases, these will be the same as or similar to the following requirements for recipients.

The standard financial reporting forms are as follows:

3. *Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061)).* Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated.

Section IV, Other Information, states:

Equivalency

To achieve consistency in meeting program requirements and eliminate the possibility of over- reporting information under the Federal Funding Accountability and Transparency Act (Transparency Act), State CWSRF programs must use the same group of loans for the purpose of meeting Federal cross-cutting, single audit, procurement, and Transparency Act reporting requirements.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
Material noncompliance. In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

2018-018 The Department of Services for the Blind did not have adequate internal controls over federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable time period.

Federal Awarding Agency:	U.S Department of Education	
Pass-Through Entity:	None	
CFDA Number and Title:	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States.
Federal Award Number:	H126A170072, H126A1800072	
Applicable Compliance Component:	Eligibility	
Known Questioned Cost Amount:	None	

Background

The Department of Services for the Blind's (Department) Vocational Rehabilitation program provides services for individuals who are blind, are going blind or have low vision so that such individuals may prepare for and engage in gainful employment. These services are primarily funded by federal Vocational Rehabilitation grants.

The Department operates and administers the program in accordance with federal laws and regulations, as well as with a State Plan that is approved every fiscal year. In most cases, client eligibility must be determined within a reasonable time not to exceed 60 days. There are two exceptions to the 60-day requirement:

- An exceptional and unforeseen circumstance occurred beyond the Department's control, and the individual agreed to a specific time extension.
- The Department is assessing the client's ability to perform in work situations through trial work experience.

If either of these exceptions is met, Department staff must document the determination in its case management system. In the case of an unforeseen circumstance, Departmental procedures require staff to enter the following information into the case management system:

- Clear justification for the exception
- An outline of the action needed to complete the determination
- How the individual was informed of the need for an extension
- That the individual accepted the justification and agreed to an extension

The system must be updated to address the above four points every 30 days after the initial entry until either the individual is found eligible or the case is closed.

To ensure eligibility decisions are made within 60 days, Department staff use a dashboard feature from its case management system to identify clients who are nearing or have exceeded the deadline. These reports are visible to counselor supervisors, who discuss timelines with staff.

In prior audits, we reported the Department did not have adequate internal controls over, and was not compliant with, federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable time.

The prior finding numbers were 2017-007 and 2016-009.

Description of Condition

The Department of Services for the Blind did not have adequate internal controls over federal requirements to ensure eligibility determinations were made within 60 days as required.

The Department gave us case management system reports of all clients who were determined to be eligible during the audit period. The reports showed 27 of 390 determinations occurred after the 60-day limit. We examined all 27 of these eligibility determinations and found 13 cases (48 percent) in which the Department's internal controls failed, resulting in the eligibility determination occurring after the 60-day limit without evidence the required criteria for an extension were met.

For these 13 cases, we specifically found:

- Seven cases in which no exceptional or unforeseen circumstance for the delay was documented
- Six cases in which there was no documentation to show the client agreed to a specific extension
- Six cases in which no extension was documented before the deadline
- One case in which an extension letter was sent but no determination was documented in the case management system

We also examined 28 eligibility determinations, selected using a statistically valid random sampling method, that were documented as having been completed in under 60 days and found no instances of noncompliance. We determined the internal control weakness caused 3 percent (13 of 390) of the cases during the audit period to occur after the 60-day limit without evidence the extension was proper.

We consider these internal control deficiencies to be a significant deficiency.

Cause of Condition

The Department has not defined what unforeseen or exceptional circumstances are and therefore cannot adequately determine what documentation should be maintained to justify an overdue extension. Additionally, while the dashboard queue significantly reduced the number of eligibility determinations that did not meet the 60-day requirement, management has not implemented a formal confirmation or review process to ensure an exceptional or unforeseen circumstance is documented and that the client agreed to an extension.

Effect of Condition

Because it has not implemented adequate internal controls, the Department is not always making timely eligibility decisions in accordance with federal law. We identified 13 clients who were not determined to be eligible within federally required timelines. This condition could lead to ineligible clients receiving services and puts the Department at risk the federal grantor will withhold funds.

Recommendations

We recommend the Department:

- Improve its internal controls to ensure eligibility determinations are made promptly
- Define exceptional and unforeseen circumstances so proper documentation can be maintained
- Ensure that exceptional and unforeseen circumstances are properly documented
- Ensure that extensions are supported with a client agreement that includes a specific period of time
- Ensure supervisory reviews are effective and properly documented

Department's Response

The department continues to improve internal controls for determining eligibility within the 60 day requirement and documenting a justification when a delay is necessary.

The number of delayed eligibilities continue to decline. For SFY 2018, 3% of eligibility determinations were delayed compared to 8.3% in SFY 2017 and 12.5% in SFY 2016. This improvement is due to ongoing coaching and monitoring. It should be noted that a significant number of the 3% of delayed eligibilities were delayed by 1- 3 days. This was often an error in calculating the 60 days from date of application and adding 60, however, this resulted in 61 to 63 days after application.

The department will continue to coach staff about eligibility requirements and accurately calculating the 60 days.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

29 United States Code section 722. Eligibility and individual plan for employment, states in part:

(a) Eligibility

(6) Timeframe for making an eligibility determination

The designated State unit shall determine whether an individual is eligible for vocational rehabilitation services under this subchapter within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless—

(A) exceptional and unforeseen circumstances beyond the control of the designated State unit preclude making an eligibility determination within 60 days and the designated State unit and the individual agree to a specific extension of time; or

(B) the designated State unit is exploring an individual's abilities, capabilities, and capacity to perform in work situations under paragraph (2)(B).

Washington Administrative Code 67-25-025 Eligibility for services, states:

(1) The department shall determine whether an individual is eligible for vocational rehabilitation services within sixty days after receipt of an application for services, unless, exceptional and unforeseen circumstances beyond the control of the department preclude completion of the determination within sixty days, in which case, the department will notify the applicant.

(2) The applicant must agree to an extension of eligibility determination or, must agree to participate in trial work experience or extended evaluation in accordance with WAC 67-25-065 and 67-25-070. If the applicant does not agree to an extension of the eligibility determination or does not agree to participate in trial work experience or extended evaluation, the applicant will be determined ineligible for vocational rehabilitation services and the case service record will be closed in accordance with WAC 67-25-055.

Washington State Department of Services for the Blind Vocational Rehabilitation Procedures states:

3. ELIGIBILITY (WAC 67-25-025) Eligibility Timelines

The Rehabilitation Act requires that eligibility determination be made within 60 days after receiving an application. The only exception is if unforeseen circumstances beyond the control of the VR Team prevent completion of the determination within 60 days. Case note E60 "Eligibility Determination over 60 Days" is used to document this exception and must:

- Provide clear justification for the exception;
- Outline needed action to complete the determination;
- Indicate how the individual was informed of the need for an extension; and
- Indicate that the individual accepts the justification and agrees to an extension.

Case note E60 must be completed to address the above four points (ideally as bullet points) every 30 days after the initial entry until the individual is found eligible, or the case is closed.

2018-019 The Department of Services for the Blind did not have adequate internal controls over reporting requirements for the Vocational Rehabilitation Grant.

Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Number and Title:	84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States
Federal Award Number:	H126A1700072, H126A1800072,
Applicable Compliance Component:	Reporting
Known Questioned Cost Amount:	None

Background

The Department of Services for the Blind's Vocational Rehabilitation program provides services for people who are blind, are going blind or have low vision so that they may prepare for and engage in gainful employment. These services are primarily funded by the Vocational Rehabilitation (VR) Grant.

The Department is required to submit a program cost report (RSA-2), which is used to report expenditures for particular services, numbers of clients served, numbers of staff and amounts transferred in and out of the program. This information is used by the grantor to evaluate and monitor the financial performance and achievements of state's VR agencies. The report must be completed annually and is due by December 31 after the close of the federal fiscal year and must include information about all open grant awards.

In the prior audit, we reported the Department did not establish adequate internal controls over, and did not comply with, federal reporting requirements. The prior finding number was 2017-010.

Description of Condition

We found the Department did not have adequate internal controls to ensure its federal program cost report was prepared accurately during the audit period. Specifically, the Department did not perform a secondary review of the RSA-2 report and the accounting data supporting it before submitting the report to the federal grantor.

We consider this control deficiency to be a material weakness.

Cause of Condition

The Department experienced staff changes in the positions that create and review the reports. After the staffing changes, the Department believed it no longer had staff with the necessary knowledge to perform a secondary review.

Effect of Condition

By not establishing adequate internal controls, the Department is at a higher risk of not detecting errors and misreporting information to the grantor.

Recommendation

We recommend the Department improve its internal controls by performing a secondary review of its RSA-2 reports.

Department's Response

The Department of Services for the Blind continues to experience staff turnover in the fiscal unit. The Department recently hired a consultant to assist with an organization plan that will meet the requirements of a secondary review. It is anticipated the organizational plan and hiring of required staff will be completed by 6/30/2019.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

> Section 200.303 Internal controls, states in part:
> The non-Federal entity must:
> (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
>
> Section 200.516 Audit findings, states in part:
> (a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
> (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in

relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

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

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

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

2018-020 **The Department of Services for the Blind did not have adequate internal controls over and was not compliant with requirements to ensure cash draws were accurate and timely for the Vocational Rehabilitation program.**

Federal Awarding Agency:	U.S Department of Education	
Pass-Through Entity:	None	
CFDA Number and Title:	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States.
Federal Award Number:	H126A1700072, H126A1800072	
Applicable Compliance Component:	Cash Management	
Known Questioned Cost Amount:	None	

Background

The Department of Services for the Blind's (Department) Vocational Rehabilitation program provides services for individuals who are blind, are going blind or have low vision so that such individuals may prepare for and engage in gainful employment. These services are primarily funded by the Vocational Rehabilitation Grant.

The Department operates the program in accordance with federal laws and regulations, as well as with a Cash Management Improvement Act (CMIA) agreement between the State and the U.S. Department of the Treasury. The CMIA agreement requires the Department to draw funds from the federal grantor twice a month on a reimbursement basis. At times, multiple grants are open so more than one draw may be made on the same date.

The Department established a procedure that requires a secondary review before funds are drawn to ensure the process occurs properly. The review is performed by another manager and is supposed to happen before the funds are drawn.

In the prior audit, we reported the Department did not have adequate internal controls to ensure cash draws were accurate for the Vocational Rehabilitation program. The prior finding number was 2017-008.

Description of Condition

The Department did not have adequate internal controls to ensure cash draws were accurate and timely. For six of the 24 grant months (25 percent) when the Department drew down federal funds, the amount supported in the Department's accounting system did not match what was requested from the grantor. The Department over-drew the grant for four months (totaling $600,000) and under-drew for two months (totaling $600,000).

We also found:

- No secondary review occurred in May or June 2018.
- Four draws (17 percent) were not requested at the proper time, as required by the CMIA.

We consider these control deficiencies to be a material weakness.

Cause of Condition

The Department had turnover in staff who oversaw the draw process. Management did not ensure availability of backup staff with expertise in how to process and review the grant draws.

Effect of Condition

By not establishing adequate internal controls, the Department cannot ensure that draw amounts they requested were accurate and timely. The Department drew funds that were not supported by expenditures and performed draws late.

Recommendation

We recommend the Department:

- Improve internal controls to ensure cash draws are performed accurately and in accordance with the state's CMIA agreement
- Ensure secondary reviews are performed by staff who understand federal grant requirements
- Provide adequate training to staff to ensure federal draws are performed in a timely manner.

Department's Response

The Department had experienced staff turnover in the fiscal unit that affected the level of oversight over the federal draw process. In response to prior audit findings, the Department had implemented corrective actions to address the audit recommendations. However, the Department continues to experience staff turnover in the positions that perform federal draws.

As of December 2018, the Department hired a consultant to:

- *Assist with an organizational plan for the fiscal unit.*
- *Strengthen internal controls over the federal draw process to include a secondary review.*

The Department anticipates that the organizational plan and hiring of required staff will be completed by June 2019.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

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

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

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

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

Cash Management Improvement Act Agreement between The State of Washington and The Secretary of the Treasury, United States Department of the Treasury, states, in part:

84.126 Rehabilitation Services -- Vocational Rehabilitation Grants to States
Recipient: 315---Department of Services for the Blind---DSB
% of Funds Agency Receives: 16.11
Component: Payments made to clients and to support clients, payroll, and administrative costs
Technique: Modified Direct Program Costs -Admin, Payroll, Payments to Providers (ACH Drawdown on Payroll Cycle) Average Day of Clearance: 0 Days

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

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

2018-021 **The Department of Social and Health Services did not have adequate internal controls over and was not compliant with federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable period of time.**

Federal Awarding Agency:	U.S Department of Education
Pass-Through Entity:	None
CFDA Number and Title:	84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States.
Federal Award Number:	H126A160071, H126A170071, H126A180071
Applicable Compliance Component:	Eligibility
Known Questioned Cost Amount:	None

Background

The Department of Social and Health Services' Division of Vocational Rehabilitation (Department) provides employment services and counseling to individuals with disabilities who want to work but experience barriers to work because of a physical, sensory and/or mental disability. These services are primarily funded by the Vocational Rehabilitation Grant.

The Department operates and administers the program in accordance with federal laws and regulations, as well as with a State Plan that is approved every fiscal year. To be eligible for service, an individual must undergo an assessment to determine eligibility, which includes obtaining medical documentation to support the person's disability. The applicant must also have an employment goal and be able to work.

In most cases, client eligibility must be determined within a reasonable time not to exceed 60 days. There are two exceptions to the 60-day requirement:

- An exceptional and unforeseen circumstance occurred beyond the Department's control, and the individual agreed to a specific time extension.
- The Department is assessing the client's ability to perform in work situations through trial work experience.

If either of these exceptions is met, Department staff must document the determination in its case management system. In the case of an unforeseen circumstance, Departmental procedures require staff to document the following information in the case management system:

- Clear justification for the exception
- An outline of the action needed to complete the determination
- How the individual was informed of the need for an extension
- That the individual accepted the justification and agreed to an extension

To ensure eligibility decisions are made within 60 days, Department staff use a queue feature from its case management system to identify clients who are nearing or have exceeded the deadline. The queue is visible to counselor's supervisors, who discuss timelines with staff. The client will remain in the queue until determined eligible or closed in the case management system.

In prior audits, we reported the Department did not have adequate internal controls over, and was not compliant with, federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable time. The prior finding numbers were 2017-013 and 2016-012.

Description of Condition

The Department did not have adequate internal controls over federal requirements to ensure eligibility determinations were made within 60 days as required.

The Department provided us case management system reports of all 7,215 clients who were determined eligible during the audit period. We divided these clients into two different populations: those who were determined eligible within 60 days (6,374), and those who were not (841). We used a statistical sampling method to randomly select and examine 59 of the determinations that were made within 60 days, and 57 that were not. For those determinations made under 60 days, we identified one case where the Department did not have a signed application from the client. For the determinations over 60 days, we found 48 cases (84 percent) in which the eligibility determination occurred after the 60-day limit without evidence the required criteria for an extension were met.

For these 48 cases, we found:

- 37 cases in which no exceptional and unforeseen circumstance for the delay was documented
- 40 cases in which there was no documentation to show the client agreed to a specific extension
- 34 cases in which no extension was documented before the deadline
- 29 cases in which the client was not determined eligible by the new deadline.

We also determined the Department's new queue feature did not ensure more timely case completion. During the last audit, we determined 8 percent of determinations were made after 60 days, while this year that rose to almost 12 percent.

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

Cause of Condition

The Department had not defined what unforeseen and exceptional circumstances are and therefore could not adequately determine what documentation should be maintained to justify an overdue extension. Additionally, management did not monitor the queue, nor implement a formal confirmation or review process, to ensure an exceptional and unforeseen circumstance is documented and that the client agreed to an extension before the 60-day limit was reached.

Effect of Condition

Because it has not implemented adequate internal controls, the Department is not always making timely eligibility decisions in accordance with federal law.

Recommendation

We recommend the Department:

- Improve its internal controls to ensure eligibility determinations are made promptly
- Define exceptional and unforeseen circumstances so proper documentation can be maintained
- Ensure that exceptional and unforeseen circumstances are properly documented
- Ensure that extensions are supported with a client agreement that includes a specific period of time
- Ensure supervisory reviews are effective and properly documented

Department's Response

The Department concurs with the finding.

The Department has implemented additional procedural guidance and enhanced management reports aimed at ensuring full compliance with federal requirements that client eligibility for DVR services must be determined within 60-days after application, unless extended to a longer timeframe by signed agreement between the VR Counselor and client. In addition, management reports and coaching tools have been enhanced to support supervisory oversight and monitoring of compliance with eligibility timelines and required procedures.

This finding demonstrates that further action is needed to ensure that service delivery practices fully comply with federal requirements as well as departmental policies and procedures for the determination of client eligibility.

Corrective actions will be implemented to achieve more intensive supervisory review and follow-up to monitor eligibility determinations. Additional guidance will be provided that clearly defines exceptional and unforeseen circumstances that merit an extension of timeframe, and further training will be provided to VR Counselors and VR Supervisors.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

29 U.S. Code section 722. Eligibility and individual plan for employment, states in part:

(a) Eligibility

(1) Criterion for eligibility

An individual is eligible for assistance under this subchapter if the individual—

(A) has undergone an assessment for determining eligibility and vocational rehabilitation needs and as a result has been determined to be an individual with a disability under section 705(20)(A) of this title; and

(B) requires vocational rehabilitation services to prepare for, secure, retain, advance in, or regain employment that is consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.

(3) Presumption of eligibility

(A) In general

For purposes of this section, an individual who has a disability or is blind as determined pursuant to title II or title XVI of the Social Security Act (42 U.S.C. 401 et seq. and 1381 et seq.) shall be—

(i) considered to be an individual with a significant disability under section 705(21)(A) of this title; and

(ii) presumed to be eligible for vocational rehabilitation services under this subchapter (provided that the individual intends to achieve an employment outcome consistent with the unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual) unless the designated State unit involved can demonstrate by clear and convincing evidence that such individual is incapable of benefiting in terms of an employment outcome due to the severity of the individual's disability (as of the date of the determination).

(6) Timeframe for making an eligibility determination

The designated State unit shall determine whether an individual is eligible for vocational rehabilitation services under this subchapter within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless—

(A) exceptional and unforeseen circumstances beyond the control of the designated State unit preclude making an eligibility determination within 60 days and the designated State unit and the individual agree to a specific extension of time; or

(B) the designated State unit is exploring an individual's abilities, capabilities, and capacity to perform in work situations under paragraph (2)(B).

2018-022 **The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.**

Federal Awarding Agency:	Department of Education	
Pass-Through Entity:	None	
CFDA Number and Title:	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
Federal Award Number:	H126A160071, H126A170071, H126A180071	
Applicable Compliance Component:	Special Tests and Provisions – Completion of IPEs	
Known Questioned Cost Amount:	None	

Background

The Department of Social and Health Services' Division of Vocational Rehabilitation (Department) provides employment services and counseling to individuals with disabilities who want to work but experience barriers to work because of a physical, sensory, and/or mental disability. A DVR counselor works with each person to develop a customized plan of services designed to help them reach their employment goal. These services are primarily funded by the Vocational Rehabilitation Grant.

The Department operates and administers the program in accordance with federal laws and regulations, as well as with a State Plan that is approved every fiscal year. It is responsible for ensuring that, once an individual is determined eligible, an Individual Plan for Employment (IPE) is created as soon as possible, but no later than 90 days after their eligibility determination date. The

IPE's creation can extend past 90 days only if the Department and the individual agree to an extension with a specific date by which it must be completed. When this happens, Department staff must document the extension in the Department's case management system.

The Department requires that counselors send a letter to the client informing them of the need for an extension and the date by which the counselors believe they can create an IPE. The client is then required to sign the letter and return it to the Department to indicate that they agree to the extension. The Department also requires that the counselor and the client sign and date the completed IPE, within the 90-day limit, to indicate that they agree to the plan that was developed. Without both signatures, the IPE is not binding.

To ensure IPEs are entered into within 90 days, Department staff use a dashboard feature from the Department's case management system to identify clients who are nearing or have exceeded the deadline. These reports are visible to supervisors, who discuss timelines with staff.

In the prior two audits, we reported the Department did not have adequate internal controls over, and was not compliant with, federal requirements to establish timely IPEs for program clients. The prior finding numbers were 2017-012 and 2016-011.

Description of Condition

The Department did not have adequate internal controls over, and was not compliant with, federal requirements to establish timely IPEs for Vocational Rehabilitation program clients.

The Department gave us case management system reports of all clients who agreed or should have agreed to an IPE during the audit period, or had their case closed. The reports showed 6,550 of 10,719 IPEs exceeded the 90-day limit. We used a statistically valid random sampling method to random select 59 cases. We examined the Department's records and found:

- 18 cases (31 percent) when the Department could not provide evidence the client agreed to the extension
- 11 cases (20 percent) when the extension was not completed in a timely manner
- Six cases (10 percent) when an extension was properly agreed upon, but the client did not enter into an IPE or have the case closed before the new deadline

We also examined 59 of 4,169 clients, selected using a statistically valid random sampling method, who the case management system reports indicated entered into IPE within the 90-day limit. We found one case (1.7 percent) when the IPE date did not match the date in the case management system and the 90-day limit was exceeded.

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

Cause of Condition

The Department did not have an adequate review process to ensure counselors followed Department policy and that documentation was maintained. While the case management system provides counselors and supervisors daily reminders about cases approaching the 90-day limit, there is no guidance on how much review supervisors are to perform.

Effect of Condition

Because it has not established adequate internal controls, the Department does not always make timely IPE determinations in accordance with federal law. The Department faces increased risk of not providing services to eligible clients in a timely manner.

Based on our statistically valid, random samples, we estimate the Department did not establish a timely IPE, or lacked the documentation to support that it did, for 3,552 of the 6,550 clients the case management system identified as exceeding the 90-day limit.

Recommendations

We recommend the Department improve its internal controls to ensure:

- Documentation is maintained to show IPEs were properly completed.
- IPEs are created in a timely manner
- Extensions are agreed upon by the client and are properly documented
- Both counselors and clients approve the completed IPEs

Department's Response

The Department concurs with the finding.

The Department has implemented additional procedural guidance and enhanced management reports aimed at ensuring full compliance with federal requirements that a client's IPE must be developed within 90-days after their date of eligibility, unless extended to a longer timeframe by signed agreement between the VR Counselor and client. In addition, management reports and coaching tools have been enhanced to support supervisory oversight and monitoring of compliance with eligibility timelines and required procedures.

This finding demonstrates that further action is needed to ensure that service delivery practices fully comply with federal requirements as well as departmental policies and procedures for the development of an IPE. Corrective actions will be implemented to achieve more intensive supervisory review and follow-up to monitor development of IPEs within required timeframes, including adherence to required procedures when the timeframe must be extended.

The Department would like to note the "Description of Condition" and "Recommendations" sections do not completely align.

- *The Description of Condition specifically describes lack of compliance related to requirements and timelines for developing an IPE within 90-days.*
- *The recommendations are worded more broadly to reflect overall completion of the IPE.*

The Department's corrective action will specifically include items that assure compliance with required timeframes for development of IPEs.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

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

Section 200.516 Audit findings, states in part:
(a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
   (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
   (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.
Probable. The future event or events are likely to occur.

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

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

29 U.S. Code 722 (b) Development of an individual plan for employment, states in part:

(3) Mandatory Procedures

(F) Timeframe for completing the individualized plan for employment

The individualized plan for employment shall be developed as soon as possible, but not later than a deadline of 90 days after the date of the determination of eligibility described in paragraph (1), unless the designated State unit and the eligible individual agree to an extension of that deadline to a specific date by which the individualized plan for employment shall be completed.

2018-023 **The Department of Social and Health Services did not have adequate internal controls over and was not compliant with federal requirements to ensure payments paid on behalf of clients for Vocational Rehabilitation were allowable.**

Federal Awarding Agency:	Department of Education
Pass-Through Entity:	None
CFDA Number and Title:	84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States
Federal Award Number:	H126A160071, H126A170071, H126A180071
Applicable Compliance Component:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Known Questioned Cost Amount:	$10,553

Background

The Department of Social and Health Services' Division of Vocational Rehabilitation (DVR) provides employment services and counseling to individuals with disabilities who want to work but experience barriers to work because of a physical, sensory, and/or mental disability. A DVR counselor works with each person to develop a customized plan of services designed to help them reach their employment goal. These services are primarily funded by the Vocational Rehabilitation Grant.

The Department operates and administers the program in accordance with federal laws and regulations, as well as with a State Plan that is approved every fiscal year. The Department spends federal grant money for employment services that are included in a client's individual plan for employment (IPE). The IPE helps a person with a disability in preparing for, securing, retaining or regaining an employment outcome. To ensure that the client is informed and involved in their employment outcome, both the client and a counselor must sign and date the completed IPE after reviewing it. Most services are not considered allowable unless they are in an approved IPE.

The Department may also spend federal grant money for pre-employment services that allow the Department to determine eligibility or ability to work and are not required to be in the IPE. While these expenses are not contained in an IPE, they still must be approved and have proper support.

The Department spent over $55 million in federal program funds in fiscal year 2018, with about $28 million paid for client services.

In prior audits, we reported that the Department did not have adequate internal controls over and was not compliant with requirements to ensure payments paid on behalf of clients were allowable. The prior finding numbers were 2017-014 and 2016-013.

Description of Condition

We found the Department did not establish adequate internal controls to ensure payments for client employment services were in an approved IPE. We used a statistical sampling method to randomly select and examine 63 of the 35,704 total payments over $50 made for client services during fiscal year 2018. We examined each payment to determine if it was an allowable employment service included in a client's IPE or a pre-employment service.

In 13 cases (21 percent), we found payments totaling $20,287 were improper, $10,553 of which was paid with federal funds. Specifically:

- In four cases, the IPE was not signed by client
- In six cases, the service provided was not in the IPE
- In four cases, the Department could not provide an IPE

We also examined these 63 payments to verify the authorization for payment was made after the IPE had been approved. We found three payments (5 percent) when the authorization was made before an approved IPE was completed.

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

Cause of Condition

Department staff did not follow established policies and procedures to ensure that payments for client services were contained in the client's approved IPE and services were not being paid for before approval. Managerial oversight was not sufficient to detect or prevent these issues.

Effect of Condition and Questioned Costs

By not having adequate internal controls in place, the Department increases its risk of making improper payments for client services.

A statistical sampling method was used to randomly select the payments examined in the audit. Based on the results of our testing, we estimate the total amount of likely improper payments with federal funds to be $2,965,496. Many of the improper payments were funded by state dollars. We found $9,734 of improper state payments, which projects to a likely improper payment amount of $3,580,400. This amount is not included in the federal questioned costs.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our "best estimate of total questioned costs" as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

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

Recommendations

We recommend the Department:

- Pay for client employment services only when those services are contained in an approved IPE
- Ensure services are not paid for before being properly approved
- Ensure managers adequately monitor staff to ensure federal requirements are met

Department's Response

The Department concurs with the finding.

The Department has implemented additional procedural guidance and enhanced management reports aimed at ensuring full compliance with federal requirements that certain client services must be contained in an approved IPE prior to delivery. In addition, management reports and coaching tools have been enhanced to support supervisory oversight and monitoring of compliance with IPE requirements.

This finding demonstrates that further action is needed to ensure that service delivery practices fully comply with federal requirements as well as departmental policies and procedures.

Corrective actions will be implemented to achieve more intensive supervisory review and follow-up to monitor client service expenditures and assure compliance with IPE requirements.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.403 Factors affecting Allowability of costs.

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the sample purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).

(g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

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

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
Material noncompliance. In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

29 U. S. Code. section 722. Eligibility and individual plan for employment, states in part:

(a) Eligibility

(2) Presumption of benefit

(A) Applicants

For purposes of this section, an individual shall be presumed to be an individual that can benefit in terms of an employment outcome from vocational rehabilitation services under section 705(20)(A) of this title.

(B) Responsibilities

Prior to determining under this subsection that an applicant described in subparagraph (A) is unable to benefit due to the severity of the individual's disability or that the individual is ineligible for vocational rehabilitation services, the designated State unit shall explore the individual's abilities, capabilities, and capacity to perform in work situations, through the use of trial work experiences, as described in section 705(2)(D) of this title, with appropriate supports provided through the designated State unit. Such experiences shall be of sufficient variety and over a sufficient period of time to determine the eligibility of the individual. In providing the trial experiences, the designated State unit shall provide the individual with the opportunity to try different employment experiences, including supported employment, and the opportunity to become employed in competitive integrated employment.

(b) Development of an individual plan for employment

(3) Mandatory procedures

(C) Signatories

An individualized plan for employment shall be—

(i) agreed to, and signed by, such eligible individual or, as appropriate, the individual's representative; and

(ii) approved and signed by a qualified vocational rehabilitation counselor employed by the designated State unit.

2018-024 The Department of Social and Health Services did not have adequate internal controls to ensure its federal financial reports for the Vocational Rehabilitation grant were accurately prepared.

Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Number and Title:	84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States
Federal Award Number:	H126A160071, H126A170071, H126A180071
Applicable Compliance Component:	Reporting
Known Questioned Cost Amount:	None

Background

The Department of Social and Health Services' (Department) Division of Vocational Rehabilitation provides employment services and counseling to individuals with disabilities who want to work but experience barriers to work because of a physical, sensory and/or mental disability. A Department counselor works with each person to develop a customized plan of services designed to help them reach their employment goal. These services are primarily funded by the Vocational Rehabilitation grant.

The Department must submit a program cost report (RSA-2), which is used to report expenditures for particular services, numbers of clients served, numbers of staff, and amounts transferred in and out of the program. The grantor uses this information to evaluate and monitor the financial performance and achievements of a state's vocational rehabilitation agency. The report must be completed annually and is due by December 31 after the close of the federal fiscal year and must include information about all open grant awards.

The Department also must submit a Federal Financial Report SF-425, which is used to report expenditures for federal grants semiannually. The report requires disclosure of cash receipts, disbursements, and cash on hand for the grant during the reporting period. Additional information on the report includes disclosure of the indirect costs, program costs, and signature of a certifying individual.

Description of Condition

We found the Department did not have adequate internal controls to ensure its federal financial reports for the Vocational Rehabilitation grant were accurately prepared.

Processes, such as a secondary review, were not in place that would detect errors in the RSA-2 or SF-425 reports before the Department submitted them to the federal grantor.

We consider this internal control deficiency to be a material weakness. This condition was not reported in the prior audit.

Cause of Condition

In the prior audit, we confirmed the Department had a secondary review of these reports in place. The person who performed the reviews left the Department, and management did not ensure a secondary review process continued.

Effect of Condition

By not establishing adequate internal controls, the Department increases the risk that it could misreport information to the grantor.

Recommendation

We recommend the Department improve its internal controls by re-implementing a secondary review of the RSA-2 and SF-425 reports.

Department's Response

The Department concurs with the finding.

The Department has established written procedures to re-implement secondary reviews for the reports.

Secondary reviews have been completed for the most recent SF-425 report that was submitted in September 2018 and secondary reviews of future RSA-2 and SF-425 reports will occur.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

> Section 200.303 Internal controls, states in part:
>
> The non-Federal entity must:
>
> (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

2018-025 **The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance
	93.959	Block Grants for Prevention and Treatment of Substance Abuse
Federal Award Number:	2B08TI010056-16; 2B08TI010056-17; 5U79TI023477-05; 5U79SP020155-03; 5U79TI024265-03; 1H79TI025995-01; 5H79SM061705-02; 5H79TI025342-02; 1H79TI026138-01; 1H79TI025570-01; 1H79SP022135-01	
Applicable Compliance Component:	Subrecipient Monitoring	
Known Questioned Cost Amount:	None	

Background

The Department of Social and Health Services (Department), Behavioral Health Administration (BHA), administers the Block Grants for Prevention and Treatment of Substance Abuse. The Department subawards some of the funds to counties, tribes, nonprofit organizations and other state agencies to develop prevention programs and provide treatment and support services. The Department spent more than $32.8 million in grant funds during fiscal year 2018. Of this amount, the Department passed about $11 million to 76 subrecipients.

The Department also administers the Substance Abuse and Mental Health Services Projects of Regional and National Significance. This program addresses priority substance abuse treatment, prevention and mental health needs of regional and national significance. The Department spent more than $8 million in grant funds during fiscal year 2018 and passed about $1.8 million of this amount to 39 subrecipients, including counties, school districts and nonprofit organizations.

Federal regulations require the Department to monitor the activities of its subrecipients. This includes verifying that its subrecipients that spend $750,000 or more in federal awards during a fiscal year obtain a single audit. Further, for the awards it passes on to its subrecipients, the Department must follow up and ensure its subrecipients take timely action on all deficiencies detected through audits, onsite reviews and other means, and must issue a management decision for audit findings within six months of the audit report's acceptance by the Federal Audit Clearinghouse. These requirements help ensure grant money is used for authorized purposes and within the provisions of contracts or grant agreements.

As of July 1, 2018, the operations management of the BHA was transferred from the Department to the Health Care Authority (Authority). The Authority assumed the responsibilities over the Block Grants for Prevention and Treatment of Substance Abuse and Substance Abuse and Mental Health Services Projects of Regional and National Significance.

In prior audits, we reported the Department did not have internal controls over and did not comply with requirements to ensure subrecipients received required audits. The prior finding numbers were 2017-016, 2016-014, 2015-016 and 2014-019.

Description of Condition

BHA did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.

We found BHA did not have adequate internal controls in place to verify:

- Subrecipients received required audits
- Findings were followed up on and management decisions were issued when due

BHA implemented a new process to obtain and monitor information related to required subrecipient audits beginning in April 2016. As part of this process, BHA sends audit verification forms to all subrecipients and contractors that receive federal funds, asking whether they required an audit and, if so, to provide a copy of the audit report. When the forms are returned, the results are to be tracked and monitored in a tracking spreadsheet.

We evaluated BHA's process and found 47 subrecipients of the Block Grants for Prevention and Treatment of Substance Abuse and all 39 subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance programs were not monitored to ensure their compliance with requirements for single audits of subrecipients.

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

Cause of Condition

While BHA had established procedures to monitor and verify if subrecipients obtained required audits, it did not follow them. Specifically, when the staff member assigned to perform the audit tracking duties left BHA in July 2017, management did not ensure other BHA staff performed those responsibilities.

Effect of Condition

Without establishing adequate internal controls, BHA cannot ensure all subrecipients that met the threshold for an audit complied with federal grant requirements. In addition, one subrecipient received an audit finding that BHA did not perform follow up on, as required.

Recommendations

Since the Authority now manages these grant funds, we recommend management:

- Ensure that established procedures related to subrecipient audit monitoring are followed
- Verify all required audits occurred
- Follow up on subrecipient audit findings related to the program and issue a management decision promptly

Department's Response

The Department concurs with the finding.

Audit verification forms are sent to contractors and they are asked to declare if they receive $750,000 or more in federal funds. If they do, they are asked to send in a copy of the required single audit.

For a majority of the contractors such as counties, tribal nations and school districts; a single audit is required and performed every year. These audits can be found in the Federal Audit Clearinghouse database. While these audits were not tracked by staff in a spreadsheet, a majority of the audits were found in the Department's contracting database.

Of the 47 Subrecipients of the Block Grants for Prevention and Treatment of Substance Abuse and the 39 Subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance programs, staff found the following in the Department's contracting database:

- *42 of the 47 audits.*
- *34 of the 39 audits.*

While 76 of the 86 audits were found, the Department's contracting database does not include a date of when these audits were downloaded for record-keeping and they were not tracked as per procedures.

Currently, single audits for counties and tribal nations are now tracked on a spreadsheet. This spreadsheet contains single audits going back to FY15.

The Authority will ensure:

- *Established procedures related to subrecipient audit monitoring are followed.*
- *Required audits occur.*
- *Subrecipient audit findings, related to the program, are followed up on.*

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

All pass-through entities must:

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

(1) Reviewing financial and performance reports required by the pass-through entity.

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

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

(f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

2018-026 The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers paid with Temporary Assistance for Needy Families funds were allowable.

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.558 Temporary Assistance for Needy Families
Federal Award Number:	1801WATANF; 1801WATAN3; 1701WATANF; 1701WATAN3
Applicable Compliance Component:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Known Questioned Cost Amount:	$2,252

Background

The Department of Social and Health Services (DSHS), Community Services Division, administers the Temporary Assistance for Needy Families (TANF) grant that provides temporary cash assistance for families in need. To receive TANF benefits, participants must be engaged in activities listed in the Individual Responsibility Plan (IRP) through the WorkFirst program, unless the TANF benefits are received only on behalf of a child. TANF funds may be used to pay participants' childcare costs to meet one of the program's primary purposes of helping clients obtain employment. If a client obtains employment and is no longer eligible for the program, TANF funds may still be used to pay childcare costs to help the client maintain employment.

Working Connections Child Care program

Washington has established the Working Connections Child Care (WCCC) program to help eligible working families pay for childcare. Both the Department of Children, Youth and Families (DCYF) (formerly the Department of Early Learning) and DSHS administer the program. DCYF is responsible for establishing policies and procedures for the program and for licensing childcare providers. DSHS determines client eligibility and pays childcare providers under an agreement with DCYF.

Federal grant funding

Some payments made to WCCC providers for childcare are paid for by both the Child Care and Development Fund (CCDF) grant and the TANF grant. While the two federal programs are separate, the requirements and policies in Washington for childcare payments are consolidated under the WCCC program.

In fiscal year 2018, DSHS made an estimated 639,816 monthly childcare subsidy payments to childcare providers from both the CCDF and TANF grant as well as state funding. These payments totaled almost $267 million in federal funds, about $77 million of which came from the TANF grant.

Childcare providers

The WCCC program includes three provider types:

- Licensed centers
- Licensed family homes
- Family, friends and neighbors (FFN)

According to state rules, childcare providers must maintain attendance records to support their billing. At a minimum, the records must include: the children's names; date(s) childcare was provided; and authorized signatures, typically of a parent or guardian, documenting the times the child arrived and left care.

Prior audit results

In the prior audit, we reported DSHS did not have adequate internal controls over and did not comply with federal requirements to ensure payments to childcare providers, paid for by TANF funds, were allowable. The prior audit finding number was 2017-017 and 2016-019. We have also been reporting on the same condition for the CCDF program since 2005. The most recent audit finding numbers were 2017-024, 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12 and 8-13.

Description of Condition

We found that the internal control deficiencies identified during our audit of the CCDF program directly affect DSHS use of TANF funds, because the federal grants are commingled when paying WCCC providers.

We found DSHS did not have adequate internal controls to ensure payments to childcare providers, paid for by TANF funds, were allowable. Although DCYF and DSHS perform some oversight activities, these were not sufficient to ensure payments were allowable.

We used a statistical sampling method to randomly select and examine 133 payments for child care to determine if they were allowable. We chose child care payments by totals from each of the three provider types: licensed centers, licensed family homes and FFN's. With assistance from DCYF, we requested attendance records from providers that supported the payments. We reviewed each provider's records to determine if the payments were allowed by federal and state regulations, as well as by DCYF's policies.

We found 22 (16 percent) payments with TANF federal funding were partially or fully unallowable. All of these payments were partially paid for by TANF funds. In total, we questioned $2,252 paid by federal TANF funds.

The overpayments occurred because:

- Providers did not submit attendance records in response to our request, or submitted records that were inadequate to support payments
- Providers overbilled for services not performed or not supported by attendance records
- Providers billed for overtime, field trip fees and registration fees when they did not have a written policy in place to also charge these same fees to private paying parents
- Providers were not paid the correct rate based on the child's age and region

We consider these internal control deficiencies to be a significant deficiency.

Cause of Condition

While DSHS authorizations to provide services establish a maximum for what providers may bill without further approval, it does not prevent providers from billing for unallowable days, hours or services. The claim and payment system is not linked to authorizations or attendance. Childcare providers must keep attendance records and submit this documentation only when it is requested.

DCYF management asserts the identified internal control weaknesses are unlikely to be resolved without an electronic time and attendance reporting system. DCYF has finalized the procurement of a system that will maintain electronic copies of attendance records and potentially reduce provider errors. This system began operating in October 2018 and is expected to enable DCYF to perform data analysis and audit of all payments. In addition, new rules and policies for providers have been written, but have not been implemented due to timing.

Effect of Condition and Questioned Costs

By not having adequate internal controls in place, DSHS increases its risk of making improper payments for childcare services.

A statistical sampling method was used to randomly select the payments examined in the audit. Based on the results of our testing, we estimate the total amount of likely improper payments with federal TANF funds to be $10,765,887. Many of the improper payments were partially funded by state dollars. We found $129 of improper state payments, which projects to a likely improper payment amount of $617,246. This amount is not included in the federal questioned costs.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 99 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our "best estimate of total questioned costs" as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

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

Recommendations

We recommend the Department:

- Implement preventive internal controls over payments to providers to reduce the rate of unallowable payments
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

Department's Response

The Department appreciates, acknowledges and supports the State Auditor's Office's (SAO) mission, which is to hold state and local governments accountable for the use of public resources.

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

In response to DSHS 2017-017 TANF Activities Allowed Finding, the Department implemented internal controls including third-party reviews through the establishment of the Process Review Panel (PRP), and pre-authorization reviews on high-risk and/or high cost cases based on trend analysis discovered during the PRP. These initiatives help ensure staff make correct eligibility and authorization determinations which minimizes the risk for providers to overbill or incorrectly bill for payments.

The Department implemented most of these internal controls during the state fiscal year (SFY) 18 audit period, therefore, we acknowledged we were likely to see similar findings during this audit.

SAO Description of Weakness: *Providers overbilled for services not performed or supported by required documentation. Adequate internal controls did not exist to ensure payments were allowable. Although the authorizations establish a maximum for what providers may bill without further approval, they do not prevent providers from billing for unallowable days, hours or services.*

The Department acknowledges that adequate attendance records are necessary in the reconciliation process to determine allowable payments. The Department of Children, Youth, and Families (DCYF) policy requires providers receiving subsidy payments to maintain attendance records and provide them upon request. However, because attendance records are paper-based, it is not feasible for staff to request, review and reconcile all records before subsidy payments are made. As referenced in the report above, the Department collaborated with DCYF on procurement for an electronic attendance system.

Effective December 1, 2018, DCYF requires all licensed providers who accept subsidy to use DCYF's electronic attendance system or an approved third party system to track attendance. DCYF's system enables accurate, real-time recording of child care attendance, tracks daily attendance, and captures data on child care usage. FFN providers are required to use DCYF's system or an approved third party system for tracking attendance by November 30, 2019.

The Department will continue to conduct post-payment reviews, or refer to DCYF for review, where it appears likely that an improper payment may have occurred. Reviews include requesting attendance records to determine whether an overpayment occurred, whether it was a provider or a client that was overpaid, the amount of the improper payment and establishing an overpayment if appropriate.

Beginning July 1, 2019, the Department will transfer responsibility for administering all aspects of client eligibility determination and child care provider payment under the Child Care Development Fund (CCDF) to DCYF. While the Department continues to play an active role in supporting continuous improvements within the Working Connections Child Care Program, we acknowledge that subsequent changes and enhancements to this program are within the purview of DCYF.

If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with HHS and will take appropriate action.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

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

Section 200.303 Internal controls, states in part:

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

General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

    (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant

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

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

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

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

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

45 CFR Subpart A, 260.20, What is the purpose of the TANF program? States:

The TANF program has the following four purposes

(a) Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;

(b) End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;

(c) Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and

(d) Encourage the formation and maintenance of two-parent families.

WAC 170-290-0002 Scope of agency responsibilities.

DEL is designated as the lead agency for child care and development funds (CCDF) and oversees expenditure of CCDF funds.

(1) The responsibilities of the department of early learning (DEL) include, but are not limited to:

(a) Determining child care subsidy policy for the WCCC and SCC programs;

(b) Determining thresholds for eligibility and copayment amounts and establishing rights and responsibilities; and

(c) Serving as the designated representative for the state to implement the collective bargaining agreement under RCW 41.56.028 for in-home/relative providers as defined in WAC 170-290-0003(13), and for all licensed family homes.

(2) The responsibilities of the department of social and health services (DSHS) include, but are not limited to:

(a) Service delivery for the WCCC and SCC programs, including determining who is eligible for WCCC and SCC benefits; and

WAC 170-290-0268, Payment discrepancies—Provider overpayments, states:

(1) An overpayment occurs when a provider receives payment that is more than the provider is eligible to receive. Provider overpayments are established when that provider:

(a) Bills and receives payment for services not provided;

(b) Bills without attendance records that support their billing;

(c) Bills and receives payment for more than they are eligible to bill;

(d) Routinely provides care in a location other than what was approved at the time of authorization;

(e) With respect to license-exempt in-home/relative providers, commonly known as "family, friends, and neighbor" providers, bills the state for more than six children at one time during the same hours of care; or

(f) With respect to licensed or certified providers:

(i) Bills the state for more than the number of children they have in their licensed capacity; or

(ii) Is caring for a WCCC child outside their licensed allowable age range without a DEL-approved exception; or

(g) With respect to certified providers caring for children in a state bordering Washington:

(i) Is determined not to be in compliance with their state's licensing regulations; or
(ii) Fails to notify DSHS within ten days of any suspension, revocation, or change to their license.

(2) DEL or DSHS will request documentation from a provider when preparing to establish an overpayment. The provider has twenty-eight consecutive calendar days from the date of the written request to supply any requested documentation.
(3) A provider is required to repay any payments which they were not eligible to receive.
(4) Provider overpayments defined in subsection (1) of this section are deemed as program violations as described in WAC 170-290-0277.
(5) A provider is required to repay any overpayment made through a departmental error.

WAC 170-290-0271 Payment discrepancies—Consumer overpayments, states:

(1) DSHS establishes overpayments for past or current consumers when the consumer:
(a) Received benefits in an amount greater than the consumer was eligible to receive;
(b) Is determined eligible at application or reapplication based on the consumer's participation in an approved activity and used benefits, but never participated in said activity;
(c) Failed to report changes under the requirements of WAC 170-290-0031 to DSHS which result in an error in determining eligibility, amount of care authorized, or copayment;
(d) Used a provider who did not meet the eligibility requirements under WAC 170-290-0125;
(e) Received benefits for a child who was not eligible per WAC 170-290-0005, 170-290-0015 or 170-290-0020; or
(f) Failed to return, by the sixtieth day, the requested income verification of new employment as provided in WAC 170-290-0012.

(2) DEL or DSHS may request documentation from a consumer when preparing to establish an overpayment. The consumer has fourteen consecutive calendar days to supply any requested documentation.
(3) Consumers are required to repay any benefits paid by DSHS that they were not eligible to receive.

WAC 170-290-0030 Consumers' responsibilities, states in part:

When a person applies for or receives WCCC benefits, the applicant or consumer must, as a condition of receiving those benefits:
(11) Document their child's attendance in child care by having the consumer or other person authorized by the consumer to take the child to or from the child care:
(a) If the provider uses a paper attendance record, sign the child in on arrival and sign the child out at departure, using their full signature and writing the time of arrival and departure; or
(b) Record the child's attendance using an electronic system if used by the provider;

WAC 170-290-0034 Providers' responsibilities, states:

Child care providers who accept child care subsidies must do the following:

(1) Comply with:

(a) All of the DEL child care licensing or certification requirements as provided in chapter 170-295, 170-296A, or 170-297 WAC, for child care providers who are licensed or certified; or

(b) All of the requirements in WAC 170-290-0130 through 170-290-0167, 170-290-0250, and 170-290-0268, for child care providers who provide in-home/relative care;

(2) Report pending charges or convictions to DSHS as provided in:

(a) Chapter 170-295, 170-296A, or 170-297 WAC, for child care providers who are licensed or certified; or

(b) WAC 170-290-0138 (2) and (3), for child care providers who provide in-home/relative care;

(3) Keep complete and accurate daily attendance records for children in their care, and allow access to DEL to inspect attendance records during all hours in which authorized child care is provided as follows:

(a) Current attendance records (including records from the previous twelve months) must be available immediately for review upon request by DEL.

(b) Attendance records older than twelve months to five years must be provided to DSHS or DEL within two weeks of the date of a written request from either department. Beginning July 1, 2017, or upon ratification of the 2017-19 collective bargaining agreement with SEIU 925, whichever occurs later, the records must be provided within twenty-eight consecutive calendar days of the date of a written request from either department.

(c) Failure to make available attendance records as pro- vided in this subsection may:

(i) Result in the immediate suspension of the provider's subsidy payments; and

(ii) Establish a provider overpayment as provided in WAC 170-290-0268;

(4) Keep receipts for billed field trip/quality enhancement fees as follows:

(a) Receipts from the previous twelve months must be available immediately for review upon request by DEL;

(b) Receipts from one to five years old must be provided to DSHS or DEL within two weeks of the date of a written request from either department;

(5) Allow consumers access to their child at all times while the child is in care;

(6) Collect copayments directly from the consumer or the consumer's third-party payor, and report to DSHS if the consumer has not paid a copayment to the provider within the previous sixty days;

(7) Follow billing procedures:

(a) As described in the most current version of "Child Care Subsidies: A Guide for Licensed and Certified Family Home Child Care Providers,"; or

(b) As described in the most current version of "Child Care Subsidies: A Guide for Family, Friends and Neighbors Child Care Providers"; or

(c) As described in the most current version of "Child Care Subsidies: A Guide for Licensed and Certified Child Care Centers."

(8) Not claim a payment in any month a child has not attended at least one day within the authorization period in that month.

(9) Invoice the state no later than one calendar year after the actual date of service;

(10) For both licensed and certified providers and in- home/relative providers, not charge subsidized families the difference between the provider's customary rate and the maximum allowed state rate; and

(11) For licensed and certified providers, not charge subsidized families for:

(a) Registration fees in excess of what is paid by subsidy program rules;

(b) Absent days on days in which the child is scheduled to attend and authorized for care;

(c) Handling fees to process consumer copayments, child care services payments, or paperwork;

(d) Fees for materials, supplies, or equipment required to meet licensing rules and regulations; or

(e) Child care or fees related to subsidy billing invoices that are in dispute between the provider and the state.

WAC 170-290-0138 In-home/relative providers—Responsibilities, states in part:

An in-home/relative provider must:

(6) Bill only for actual hours of care provided. Those hours:

(a) Must be authorized by DSHS;

(b) Must be used by the consumer; and

(c) Can be claimed whether or not the consumer is present during the hours of care.

(7) Bill for no more than six children at one time during the same hours of care;

(8) Track attendance documenting the days and hours of care provided and keep records for five years:

(a) If paper attendance records are used, the provider must have the consumer sign and date the attendance records at least weekly, verifying the accuracy of the dates and times. (b) Providers may use an electronic attendance system as provided in WAC 170-290-0139 to record attendance in lieu of a paper sign-in record;

(9) Repay any overpayments under WAC 170-290-0268; and

WAC 170-290-0190 WCCC benefit calculations, states:

(1) The amount of care a consumer may receive is determined by DSHS at application or reapplication. The consumer does not need to be in approved activities or a reported activity schedule, except at application or reapplication. Once the care is authorized, the amount will not be reduced during the eligibility period unless:

(a) The consumer requests the reduction;

(b) The care is for a school-aged child as described in subsection (3) of this section; and

(c) Incorrect information was given at application or reapplication according to WAC 170-290-0030.

(2) To determine the amount of weekly hours of care needed, DSHS will review:

(a) The consumer's participation in approved activities per WAC 170-290-0040, 170-290-0045, 170-290-0050, and 170-290-0055;

(b) The number of hours the child attends school, including home school, and reduce the amount of care;

(c) In a two parent household, the days and times the activities overlap, and only authorize care during those times;

(d) The parent, in a two parent household, who is not able to care for the child, as defined in WAC 170-290-0020, and exclude the activity requirements; and

(e) When a consumer requests and verifies the need for increased care, DSHS will increase the care for the remainder of the eligibility period.

(3) Determining full-time care for a family using licensed providers:

(a) Twenty-three full-day units per month will be authorized for one hundred ten hours of activity or more each month when the child needs care five or more hours per day;

(b) Thirty half-day units per month will be authorized for one hundred ten hours of activity or more each month when the child needs care less than five hours per day;

(c) Thirty half-day units per month will be authorized during the school year for a school-aged child who needs care less than five hours per day;

(d) Forty-six half-day units will be authorized during the months of July and August for a school-aged child who needs five or more hours of care;

(e) Twenty-three full-day units will be authorized during the school year for a school-aged child who needs care five or more hours per day;

(f) Supervisor approval is required for additional days of care that exceeds twenty-three full days or thirty half days; and

(g) Care cannot exceed sixteen hours per day, per child.

(4) Determining full-time care for a family using in-home/relative providers (family, friend and neighbors).

(a) Two hundred thirty hours of care will be authorized for one hundred ten hours of activity or more each month when the child needs care five or more hours per day;

(b) One hundred fifteen hours of care will be authorized for one hundred ten hours of activity or more each month when the child needs care less than five hours per day;

(c) One hundred fifteen hours of care will be authorized during the school year for a school-aged child who needs care less than five hours per day and the provider will be authorized contingency hours each month, up to a maximum of two hundred thirty hours;

(d) Two hundred thirty hours of care will be authorized during the school year for a school-aged child who needs care five or more hours in a day;

(e) Supervisor approval is required for hours of care that exceed two hundred thirty hours; and

(f) Care cannot exceed sixteen hours per day, per child.

(5) Determining part-time care for a family using licensed providers and the activity is less than one hundred ten hours per month.

(a) A full-day unit will be authorized for each day of care that exceeds five hours;

(b) A half-day unit will be authorized for each day of care that is less than five hours; and

(c) A half-day unit will be authorized for each day of care for a school-aged child, not to exceed thirty half days.

(6) Determining part-time care for a family using in- home/relative providers (family, friend and neighbors).

(a) Under the provisions of subsection (2) of this section, DSHS will authorize the number of hours of care needed per month when the activity is less than one hundred ten hours per month; and
(b) When the provider claims contingency hours, the total number of authorized hours and contingency hours claimed cannot exceed two hundred thirty hours per month.

(7) DSHS determines the allocation of hours or units for families with multiple providers based upon the information received from the parent.

(8) DSHS may authorize more than the state rate and up to the provider's private pay rate if:
(a) The parent is a WorkFirst participant; and
(b) Appropriate child care, at the state rate, is not avail- able within a reasonable distance from the approved activity site. "Appropriate" means licensed or certified child care under WAC 170-290-0125, or an approved in-home/relative provider under WAC 170-290-0130. "Reasonable distance" is determined by comparing distances other local families must travel to access appropriate child care.

(9) Other fees DSHS may authorize to a provider are:
(a) Registration fees;
(b) Field trip fees;
(c) Nonstandard hours bonus;
(d) Overtime care to a licensed provider who has a writ- ten policy to charge all families, when care is expected to exceed ten hours in a day; and
(e) Special needs rates for a child.

(10) In-home/relative providers who are paid child care subsidies to care for children receiving WCCC benefits cannot receive those benefits for their own children during the hours in which they provide subsidized child care.

WAC 170-290-0245 Registration fees, states:

(1) DSHS may pay licensed or certified child care providers and DEL contracted seasonal day camps a registration fee when:
(a) A child is first enrolled by the consumer for child care with a provider;
(b) A consumer enrolls their child with a new child care provider during their eligibility period; or
(c) A child has more than a sixty-day break in child care services with the same provider, and it is the provider's policy to charge all parents this fee when there is a break in service.

(2) A registration fee will be paid only once per calendar year for children who are cared for by the same provider, even if the provider receives subsidy payments under different subsidy programs during this time period for the enrolled children, unless there is a break of sixty days or more as provided in subsection (1)(c) of this section.

WAC 170-290-0247 Field trip/quality enhancement fees, states:

(1) DSHS pays licensed or certified family home child care providers a monthly field trip/quality enhancement fee up to thirty dollars per child or the provider's actual cost for the field trip, whichever is less, only if the fee is required of all parents whose children are in the provider's care. DEL-licensed or certified child care centers and school-age centers are not eligible to receive the field trip/quality enhancement fee.

(2) The field trip/quality enhancement fee is to cover the provider's actual expenses for:
   (a) Admission;
   (b) Enrichment programs and/or ongoing lessons;
   (c) Public transportation or mileage reimbursement at the state office of financial management rate for the use of a private vehicle;
   (d) The cost of hiring a nonemployee to provide an activity at the child care site in-house field trip activity; and
   (e) The purchase or development of a prekindergarten curriculum.
(3) The field trip/quality enhancement fee shall not cover fees or admission costs for adults on field trips, or food purchased on field trips.

WAC 170-290-0249 Nonstandard hours bonus, states:
(1) A consumer's provider may receive a nonstandard hours bonus (NSHB) payment of seventy-five dollars per child per month for care provided if:
   (a) The provider is licensed or certified;
   (b) The provider provides at least thirty hours of non- standard hours care during one month; and
   (c) The total cost of the NSHB to the state does not exceed the amount appropriated for this purpose by the legislature for the current state fiscal year.
(2) Nonstandard hours are defined as:
   (a) Before 6 a.m. or after 6 p.m.;
   (b) Any hours on Saturdays and Sundays; and
   (c) Any hours on legal holidays, as defined in RCW 1.16.050.

2018-027 The Department of Social and Health Services did not have adequate internal controls over maintenance of effort requirements for the Temporary Assistance for Needy Families grant.

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.558 Temporary Assistance for Needy Families
Federal Award Number:	1701WATANF, 1701WATAN3, 1801WATANF, 1801WATAN3
Applicable Compliance Component:	Level of Effort
Known Questioned Cost Amount:	None

Background

The Department of Social and Health Services (Department), Community Services Division, administers the Temporary Assistance for Needy Families (TANF) grant that provides temporary cash assistance for families in need. The Department spent more than $326 million in federal grant funds during fiscal year 2018.

Federal regulations require the Department to maintain state spending at certain levels to meet federal grant requirements, referred to as maintenance of effort (MOE). The state must:

- Maintain state expenditures for eligible families at a level that is at least 80 percent of historical state expenditures.
- Maintain state expenditures at a level that is more than 100 percent of its historical state expenditures for fiscal year 1994 to keep any of the federal contingency funding it received.
- Maintain supporting documentation to show the state is complying with MOE requirements.

Although the Department administers the grant, it can count certain expenditures made by other state agencies and nonprofit organizations toward its MOE requirements. The Department must ensure these expenditures of other agencies and organizations were for TANF-eligible clients.

During state fiscal year 2018, the Department claimed about $183 million of its own spending in eight programs toward its MOE requirements. In addition, the Department claimed about $443 million of expenditures from another 15 programs, including six other state agencies and two nonprofit organizations. These expenditures were not part of the state's TANF program.

The Department uses information from large databases to produce a list of TANF MOE eligible clients to make determinations about client status and client TANF MOE eligibility. Other agencies use this list to identify state funds paid for benefits provided to the same clients. The Department's codes for this process are used year after year.

In our last three audits, we reported the Department did not have adequate internal controls to ensure it complied with the MOE requirements. These were reported as finding numbers 2017-019, 2016-017 and 2015-020.

Description of Condition

The Department did not have adequate internal controls in place to ensure it complied with the MOE requirements.

We observed no evidence to support that the Department's codes were independently reviewed. Additionally, there is no formal documentation or tracking of requests detailing what coding changes were implemented. Department staff said versions of codes are manually saved so there is a history, but without automated version control, or an alternative method, there is an increased risk that changes to code could be made and not reviewed.

We also found the Department did not:

- Adequately monitor expenditures throughout the year to ensure it would meet the MOE expenditure level requirements
- Review final expenditure data from outside agencies to determine whether the expenditures were allowable and adequately supported

We consider these internal control weaknesses to be a significant deficiency. We were able to examine other supporting data not used by the report preparers to gain reasonable assurance the amounts reported by the Department were materially accurate.

Cause of Condition

The Department did not have adequate written policies and procedures in place to ensure it complied with MOE requirements. Additionally, management did not adequately monitor to ensure the Department complied with federal requirements because it believed testing a sample of cases along with informal review and testing of coding changes were sufficient to ensure accuracy and completeness.

The Department did not have ongoing fiscal monitoring to ensure it met the MOE requirements. The Department believed that using budget data for the corresponding fiscal year would ensure it met MOE requirements. However, having sufficient budget does not provide assurance that funds were properly spent.

The Department believed it could rely on the other agencies' processes to ensure additional MOE expenditures were allowable, supported and correct, through the use of attestations that accompany emails stating amounts spent.

Effect of Condition

By not performing adequate reviews of coding and expenditure data, the Department cannot ensure expenditures claimed as MOE were allowable.

The Department did not know if it would be compliant with MOE requirements until after the year had ended because it did not perform ongoing monitoring.

Although we determined the Department was materially compliant with the MOE requirements, we found:

- $286 in unallowable expenditures were counted as MOE. Our examination was performed using a statistically valid sampling method. We estimate the Department claimed a total of $191,286 in unallowable expenditures.
- $86,785 in expenditures were already used for another federal match and improperly counted as MOE.

If it does not ensure the data is allowable and accurate, the Department could unknowingly become noncompliant, and the grantor could reduce future grant funds in the amount of the shortage.

Recommendations

We recommend the Department establish adequate internal controls to ensure it:

- Tracks changes made to code and keeps records to show who made the changes
- Performs and documents independent reviews of code changes
- Establishes written policies or procedures that describe the roles and responsibilities of staff who make coding changes and management who review the changes
- Establishes written policies and procedures that describe the complex process used to collect and review documentation to support MOE expenditures
- Monitors expenditure levels throughout the fiscal year to ensure MOE requirements are being met

Department's Response

The Department partially concurs with the overall findings of the State Auditor's Office (SAO).

The Department partially concurs it did not have adequate written policies and procedures in place. The Department developed manuals that outline collaborative report preparation procedures between the Community Services Division, the Research and Data Analysis Division, and the Division of Finance and Financial Recovery which were effective February 1, 2017. In response to audit findings 2017-018 and 2017-020, the Department continued to host weekly TANF MOE workgroup meetings in which members would review and update policies and procedures related to MOE expenditures to address the previously identified internal control weaknesses. However, these changes were not fully implemented until March 2018, about three quarters of the way through the audit period.

The Department does not concur that it did not have ongoing fiscal monitoring to ensure it met the MOE requirements. In response to audit findings 2017-018 and 2017-020, the Department implemented the use of Memorandums of Understanding (MOUs) at the beginning of each year to ensure the previous year's sources are viable for the current fiscal year. The MOUs give the Department the opportunity to discuss current program operations, allowable activities and expenditures, and develop a projection of expenditures with the partnering source. During *presentation of the MOU, the Department also reviews partners' methodologies and record management protocols, and offers training and assistance, if needed.*

Effective March 1, 2018, the Department implemented a quarterly monitoring/reporting schedule with representatives from the Community Services Division, Division of Finance and Financial Recovery, and the Research and Data Analysis Division to ensure reported expenditures from all MOE sources are allowable and accurate in a timelier manner, and to review expenditure projections. The Department's use of MOUs during the first quarter of the corresponding federal fiscal year, and the improved review/reporting schedule, allows the Department to forecast and monitor its ability to meet both its TANF MOE and TANF Contingency Fund requirements throughout the year.

The Department does not concur with SAOs statement, "The Department believed that using budget data for the corresponding fiscal year would ensure it met MOE requirements. However, having sufficient budget does not provide assurance that funds were properly spent." The Department does not review previous budget data, but rather reviews budget data for upcoming years. The Department conducts a trend analysis with previous years' data to ensure the budget is similar to years prior, however, this is only one method in which the Department ensures it will meet the MOE requirements. The Department also submits quarterly 196R financial reports, which contain Departmental MOE expenditures. Furthermore, the Department verifies through written agreements with each source at the outset of the FFY that, to the best of the partner's ability, the source will have eligible programs and similar expenditure levels to prior reports.

The Department does not concur with SAOs statement that "The Department believed it could rely on the other agencies' processes to ensure additional MOE expenditures were allowable, supported and correct, through the use of attestations that accompany emails stating amounts spent." The Department uses data exchange methods between each partnering agency to ensure expenditures are verifiable, allowable, and accurate to the best of its ability while respecting client data sensitivities. The Department ensures expenditures are verifiable, allowable, and accurate by using the aforementioned MOUs, in addition to in-person meetings at the outset of the federal fiscal year (FFY), monitoring practices throughout the year, data exchanges between the agencies and DSHS, and by requiring attestations from partnering sources when final figures are reported.

Out of 11 partnering sources, there are only three outside agencies, Labor and Industries, The Department of Children, Youth, and Families, and the Office of the Superintendent of Public Instruction, with protected data sources in which client identifiers are not exchanged. As documented in the Department's procedure manuals, these sources participate in the Department's data exchange methods to the best of their abilities, with client identifiers omitted, to ensure expenditures are allowable, accurate, and verifiable.

The Department's Research and Data Analysis Division does not concur with SAOs statement that "management did not adequately monitor to ensure the Department complied with federal requirements because it believed testing a sample of cases along with informal review and testing of coding changes were sufficient to ensure accuracy and completeness." The Department believes that the formal testing processes executed and documented during fiscal year 2018 were sufficient to ensure it complied with MOE requirements. However, the Department concurs that SAOs suggestions will improve the process and will incorporate the suggestions into its practices.

Auditor's Concluding Remarks

We were provided evidence to show the Department held workgroup meetings and implemented quarterly processes during the audit period, but they did not impact the Department's reporting for federal fiscal year 2017.

Additionally, both program staff and RDA staff confirmed that, other than an excel spreadsheet showing totals and a certification, no further supporting documentation was received by the Department to confirm the expenditures that were claimed, how the calculations were performed or if the totals were reviewed prior to being sent to the Department.

Without the use of a program change tool, or alternative method, to identify what code was modified, added or deleted, there is an increased risk that changes to code could be made, either intentionally or unintentionally, and not reviewed. This created an internal control weakness that affects the data match process with the other agencies the Department claims MOE expenditures from.

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
>
> **Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:
>
> **Reasonably possible**. The chance of the future event or events occurring is more than remote but less than likely.
>
> **Probable**. The future event or events are likely to occur.
>
> **Significant deficiency in internal control over compliance.** A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

45 Code of Federal Regulation section 263 Expenditures of State and Federal TANF Funds, states in part

> Section 263.1 – How much State money must a State expend annually to meet the basic MOE requirement, states in part:
>
> (a) (1) The minimum basic MOE for a fiscal year is 80 percent of a State's historic State expenditures.
>
> Section 263.2 – What kinds of State expenditures count toward meeting a State's basic MOE expenditure requirement, states in part:
>
> (e) Expenditures for benefits or services listed under paragraph (a) of this section may include allowable costs borne by others in the State (e.g., local government), including cash donations from non-Federal third parties (e.g., a non-profit organization) and the value of third party in-kind contributions if:
>
> (1) The expenditure is verifiable and meets all applicable requirements in 45 CFR 92.3 and 92.24;
>
> (2) There is an agreement between the State and the other party allowing the State to count the expenditure toward its MOE requirement; and,

(3) The State counts a cash donation only when it is actually spent.

Section 263.8 - What happens if a State fails to meet the basic MOE requirement?

(a) If any State fails to meet its basic MOE requirement for any fiscal year, then we will reduce dollar-for-dollar the amount of the SFAG payable to the State for the following fiscal year.

(b) If a State fails to meet its basic MOE requirement for any fiscal year, and the State received a WtW formula grant under section 403(a)(5)(A) of the Act for the same fiscal year, we will also reduce the amount of the SFAG payable to the State for the following fiscal year by the amount of the WtW formula grant paid to the State.

Section 263.9 May a State avoid a penalty for failing to meet the basic MOE requirement through reasonable cause or corrective compliance?

No. The reasonable cause and corrective compliance provisions at §§ 262.4, 262.5, and 262.6 of this chapter do not apply to the penalties in § 263.8.

Section 264.72 What requirements are imposed on a State if it receives contingency funds, states in part:

(a) (1) A State must meet a Contingency Fund MOE level of 100 percent of historic State expenditures for FY 1994.

(2) A State must exceed the Contingency Fund MOE level to keep any of the contingency funds that it received. It may be able to retain a portion of the amount of contingency funds that match countable State expenditures, as defined in § 264.0, that are in excess of the State's Contingency Fund MOE level, after the overall adjustment required by section 403(b)(6)(C) of the Act.

2018-028 **The Department of Social and Health Services did not have adequate internal controls in place to ensure quarterly reports for the Temporary Assistance for Needy Families Grant were submitted accurately.**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.558 Temporary Assistance for Needy Families
Federal Award Number:	1701WATANF, 1701WATAN3, 1801WATANF, 1801WATAN3
Applicable Compliance Component:	Reporting
Known Questioned Cost Amount:	None

Background

The Department of Social and Health Services, Community Services Division (Department), administers the Temporary Assistance for Needy Families (TANF) grant that provides temporary cash assistance for families in need. To receive TANF benefits, participants must be engaged in entering the work force through the Work First program, with limited exceptions. State agencies must meet or exceed minimum annual work participation rates of 50 percent overall and 90 percent for two parents. The Department spent more than $326 million in grant funds during fiscal year 2018.

Federal regulations require the Department to file quarterly reports that include work participation data at summary and individual levels. The Department must file separate reports for its federal TANF program and state programs. The proper reporting of work participation data is critical because it serves as the basis for the federal government's determination of whether states have met the required work participation rates. A penalty may apply for failure to meet the required rates.

In prior audits, we reported the Department did not have adequate internal controls in place to ensure quarterly reports were submitted accurately. The prior finding numbers were 2017-020 and 2016-016.

Description of Condition

The Department did not have adequate internal controls in place to ensure quarterly reports were prepared accurately. Data is extracted from large databases and then transformed with customized code to produce the amounts cited in the reports. The Department performed informal, manual reviews in an attempt to ensure coding changes were applied properly. We found these reviews were not adequate to ensure all changes were properly identified and reviewed. Additionally, the reviews were not sufficiently documented. For these reasons, we could not evaluate if internal controls were in place and effective.

In addition, the customized code was established years ago and continued to be used during the audit period. The Department could not provide evidence to support the code was independently reviewed to ensure that the parameters are still valid.

When existing code needs to be changed or new code is added, staff from the TANF program and other programs managed by DSHS are involved in the decision process. This collaboration happens during meetings and email communications. There was no formal documentation or tracking of requests. If there is review, it was not documented so we could not verify whether the control was in place and operating effectively. Without an automated process to monitor these changes in code, the Department cannot ensure all changes were authorized.

We consider these internal control weaknesses to constitute a significant deficiency. We were able to examine other supporting data not used by the report preparers to verify the amounts reported by the Department were materially accurate.

Cause of Condition

Management believed its informal review and testing of new coding was sufficient to ensure accuracy and completeness of the data. Written policies or procedures regarding the process for making changes to code and reviewing those changes have not been implemented.

Effect of Condition

Because it did not perform adequate reviews, the Department cannot ensure data used for reporting purposes was accurate. The Department could become noncompliant with grant terms, which would allow the grantor to penalize the Department 4 percent of the grant for each quarter if the state fails to submit accurate, complete and timely reports, and up to 21 percent for not meeting minimum participation rates.

Recommendations

We recommend the Department establish adequate internal controls to ensure:

- Changes made to code are tracked and records indicate who made the changes
- Independent reviews of code changes are performed and documented
- Establish written policies or procedures that describe the roles and responsibilities of staff who make coding changes and management who review the changes

Department's Response

The Department partially agrees with the audit finding.

The Department concurs:

- *Written policies and procedures that describe how the Department ensures grant reporting data is accurate and complete needs to be sufficient.*
    - *While the Department documented the 199 and 209 processes in detail, the Department continues to extend and update documentation and written policies and procedures for this complex reporting process.*
- *Internal controls are needed to ensure accuracy and completeness.*

- *The Department has extensive documentation on algorithms for deriving the items in the federal transmission, including specifications on tables and codes in the Automated Client Eligibility System (ACES) and the Social Service Payment System (SSPS) and how Statistical Analysis System (SAS) processes use these data to comply with reporting requirements. Staff also run a quality assurance process for each report that identifies potential fatal and warning edits; these results are reviewed by the Supervisor. The Department believes controls for change requests, coding updates and the approval processes are adequate.*
- *The Department implemented a quarterly internal control/quality assurance process beginning in January 2017. In this process, a random sample of 199 and 209 reported cases are checked against the source data systems for correctness, and a summary of the quality assurance results are reviewed by a supervisor.*
- *While the Department may benefit from a more formal process, the review of both code and results is extensive and the process includes monthly dissemination of summary data to multiple partners for review and validation. The quarterly reports required for meeting participation rates were accurate, complete and submitted timely.*

The Department does not concur change control software is required.

- *Manual monitoring, reviewing, and testing of coding changes were performed by Department staff to ensure they were applied correctly. While no version control software was used by the Department, staff kept systematic copies of all old code versions using filename conventions, duplicating most of the functionality of version control software. The Department is not aware of any audit standards that require version control software to be used by entities audited under the Single Federal Audit.*

The Department will ensure:

- *Quarterly quality assurance testing using statistical sampling continues to be performed in order to ensure that "data used for reporting purposes was accurate and complete."*
- *Written policies and procedures will continue to be updated that describe "how the Department ensures the reported data is accurate and complete."*
- *Written policies and procedures will be developed and implemented to reinforce the need of thorough documentation of code review, testing, and approval before moving code changes into the production environment.*

Auditor's Concluding Remarks

Without the use of a program change tool, or alternative method, to identify what code was modified, added or deleted, there is an increased risk that changes to code could be made, either intentionally or unintentionally, and not reviewed.

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.
Probable. The future event or events are likely to occur.

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

Title 45, Code of Federal Regulations

Section 265.3 – What reports must the State file on a quarterly basis, states in part:

(a) Quarterly reports
  (1) Each State must collect on a monthly basis, and file on a quarterly basis, the data specified in the TANF Data Report and the TANF Financial Report
  (2) Each State that claims MOE expenditures for a separate State program(s) must collect on a monthly basis, and file on a quarterly basis, the data specified in the SSP-MOE Data Report.

(b) *TANF Data Report.* The TANF Data Report consists of four sections. Two sections contain disaggregated data elements and two sections contain aggregated data elements.
  (1) *Disaggregated Data on Families Receiving TANF Assistance – Section one.* Each State must file disaggregated information on families receiving TANF assistance. This section specifies identifying and demographic data such as the individual's Social Security Number and information such as the amount of assistance received, educational level, employment status, work participation activities, citizenship status, and earned and unearned income. The data must be provided by both adults and children.
  (2) *Disaggregated Data on Families No Longer Receiving TANF Assistance - Section two.* Each State must file disaggregated information on families no longer receiving TANF assistance. This section specifies the reasons for case closure and data similar to the data required in section one.
  (3) *Aggregated Data - Section three.* Each State must file aggregated information on families receiving, applying for, and no longer receiving TANF assistance. This section of the TANF Data Report requires aggregate figures in such areas as: The number of applications received and their disposition; the number of recipient families, adult recipients, and child recipients; the number of births and out-of-wedlock births for families receiving TANF assistance; the number of noncustodial parents participating in work activities; and the number of closed cases.
  (4) *Aggregated Caseload Data by Stratum-Section four.* Each State that opts to use a stratified sample to report the quarterly TANF disaggregated data must file the monthly caseload data by stratum for each month in the quarter.

(d) *SSP-MOE Data Report.* The SSP-MOE Data Report consists of four sections. Two sections contain disaggregated data elements and two sections contain aggregated data elements.

(1) *Disaggregated Data on Families Receiving SSP-MOE Assistance - Section one.* Each State that claims MOE expenditures for a separate State program(s) must file disaggregated information on families receiving SSP-MOE assistance. This section specifies identifying and demographic data such as the individual's Social Security Number, the amount of assistance received, educational level, employment status, work participation activities, citizenship status, and earned and unearned income. The data must be provided for both adults and children.

(2) *Disaggregated Data on Families No Longer Receiving SSP-MOE Assistance - Section two.* Each State that claims MOE expenditures for a separate State program(s) must file disaggregated information on families no longer receiving SSP-MOE assistance. This section specifies the reasons for case closure and data similar to the data required in section one.

(3) *Aggregated Data - Section three.* Each State that claims MOE expenditures for a separate State program(s) must file aggregated information on families receiving and no longer receiving SSP-MOE assistance. This section of the SSP-MOE Data Report requires aggregate figures in such areas as: The number of recipient families, adult recipients, and child recipients; the total amount of assistance for families receiving SSP-MOE assistance; the number of non-custodial parents participating in work activities; and the number of closed cases.

(4) *Aggregated Caseload Data by Stratum - Section four.* Each State that claims MOE expenditures for a separate State program(s) and that opts to use a stratified sample to report the SSP-MOE quarterly disaggregated data must file the monthly caseload by stratum for each month in the quarter.

(e) *Optional data elements.* A State has the option not to report on some data elements for some individuals in the TANF Data Report and the SSP-MOE Data Report, as specified in the instructions to these reports.

(f) *Non-custodial parents.* A State must report information on a non-custodial parent (as defined in § 260.30 of this chapter) if the non-custodial parent:

(1) Is receiving assistance as defined in § 260.31 of this chapter;

(2) Is participating in work activities as defined in section 407(d) of the Act; or

(3) Has been designated by the State as a member of a family receiving assistance.

Title 45, Code of Federal Regulations

Section 262.1 What penalties apply to States [states in part]?

(a) We will assess fiscal penalties against States under circumstances defined in parts 261 through 265 of this chapter. The penalties are:

(1) A penalty of the amount by which a State misused its TANF funds;

(2) An additional penalty of five percent of the adjusted SFAG if such misuse was intentional;

(3) A penalty of four percent of the adjusted SFAG for each quarter a State fails to submit an accurate, complete and timely required report;

(4) A penalty of up to 21 percent of the adjusted SFAG for failure to satisfy the minimum participation rates;

2018-029 **The Department of Social and Health Services did not have adequate internal controls in place for submitting quarterly and annual reports for the Temporary Assistance for Needy Families grant.**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.558 Temporary Assistance for Needy Families
Federal Award Number:	1701WATANF;1801WATANF;1701WATAN3; 1801WATAN3
Applicable Compliance Component:	Reporting
Known Questioned Cost Amount:	None

Background

The Department of Social and Health Services (Department), Community Services Division, administers the Temporary Assistance for Needy Families (TANF) grant that provides temporary cash assistance for families in need. To receive TANF benefits, participants must be engaged in entering the work force through the Work First program, with limited exceptions.

The Department spent about $326 million in federal grant funds during state fiscal year 2018. In addition, the Department reported it spent about $626 million in state funds toward meeting a maintenance of effort (MOE) requirement for the federal fiscal year 2017 grant. This amount includes about $443 million in expenditures made by other state agencies. When reporting the expenditures of other agencies, the Department must ensure the amounts reported are accurate and complete, or enter into a written agreement with the other agencies specifying that they will do so.

Quarterly financial reports

Federal regulations require the Department to file quarterly financial reports that include details on how both federal and state TANF funds are spent. The Department collects information on a monthly basis and files the federal reports on a quarterly basis. A quarterly report must be filed for each federal grant that is open. At the end of each federal year, the report must include federal and state MOE expenditures.

Annual report

The Department must also file an annual report that contains detailed information on the state's MOE spending for that year. The total MOE expenditures reported on the quarterly financial report at federal fiscal year end must match the expenditures reported on the separate annual report. The Department must keep records that show all costs are allowable and, if from an entity that is not part of the state government, verifiable.

In our last three audits, we reported in findings that the Department did not have adequate internal controls over submitting quarterly and annual reports for the TANF program. The prior year finding numbers are 2017-021, 2016-018 and 2015-021.

Description of Condition

The Department did not have adequate internal controls in place for submitting quarterly and annual reports for the TANF grant.

The Department did not maintain adequate documentation to support its reported MOE expenditures. Specifically, the Department accepted attestations from agencies regarding their MOE expenditures. While the Department provided client data to these agencies for use in identifying potentially eligible expenditures, it did not verify the amounts these agencies provided were accurate and adequately supported.

We also identified errors in the underlying data from other agencies that totaled about $87,000. These errors were partially identified through statistically valid sampling methods. We estimate an additional $190,000 was likely reported in error. These errors affected the year-end quarterly report as well as the annual report.

We consider these internal control weaknesses to constitute a significant deficiency.

Cause of Condition

During the audit period, the Department updated its policies and procedures to address the previously identified internal control weaknesses. However, these changes were not implemented by the end of the audit period. Staff who prepared the reports during fiscal year 2018 again relied on communication protocol, data exchange processes and attestations from other state agencies and believed this was sufficient to ensure the reported amounts were correct.

Additionally, management did not adequately monitor to ensure the Department complied with the federal requirements.

Effect of Condition

Not ensuring the accuracy of the required quarterly and annual reports diminishes the federal government's ability to monitor grant funds. Additionally, grant terms allow the grantor to penalize the Department for noncompliance, including suspending or terminating the award.

We were able to examine other supporting data not used by the report preparers to verify that the amounts reported by the Department were materially accurate.

Recommendations

We recommend the Department:

- Establish sufficient written policies and procedures for preparing the reports
- Verify expenditures reported by other state agencies to ensure they are allowable to count as MOE and adequately supported
- Maintain adequate documentation to support reports filed with its federal grantor

Department's Response

The Department does not concur with the overall findings of the State Auditor's Office.

The Department does not concur that it did not have its updated policies and procedures implemented by the end of the audit period. In response to audit findings 2017-018 and 2017-020, the Department continued to host weekly TANF MOE workgroup meetings in which members would review and update policies and procedures to address the previously identified internal control weaknesses. The Department fully implemented these changes March 2018, prior to the end of the audit period.

The Department does not concur with SAOs statement that "Staff who prepared the reports during fiscal year 2018 again relied on communication protocol, data exchange processes and attestations from other state agencies and believed this was sufficient to ensure the reported amounts were correct." In response to audit findings 2017-018 and 2017-020, the Department implemented the use of Memorandums of Understanding (MOUs) at the beginning of each year to ensure the previous year's sources are viable for the current fiscal year. The MOUs give the Department the opportunity to discuss current program operations, allowable activities and expenditures, and develop a projection of expenditures with the partnering source. During presentation of the MOU, the Department also reviews partners' methodologies and record management protocols, and offers training and assistance, if needed. In addition, the Department implemented a quarterly monitoring/reporting schedule for all MOE sources, to ensure reported expenditures are allowable and accurate in a timelier manner. The Department uses the aforementioned processes in addition to attestations to review, to the best of its ability that all expenditures are accurate, verifiable, not used for any other federal matching purpose, and adequately supported. The Department maintains all supporting documentation locally and electronically to support reports filed with its federal grantor.

The Department understands the SAOs perspective on the requirement to verify expenditures reported by other state agencies. The Department will continue to consult with the Office of Financial Management for guidance on establishing internal controls in response to this recommendation. While the Department does not disagree with the SAO that it should verify expenditures to the best of its ability, when unable to do so due to data sensitivity issues, it believes it satisfies the regulations as set forth in Title 45 Section 263.2(1)(e) to ensure expenditures are "verifiable".

The Department does not concur that its management did not adequately monitor to ensure the Department complied with the federal requirements. In response to audit finding 2017-020, the Department implemented quarterly meetings with representatives of the Community Services Division (CSD), the Division of Research and Data Analysis (RDA), and the Division of Finance and Financial Recovery (DFFR) to review the activities and expenditures from all sources. In addition, the

Department hosts weekly TANF MOE workgroup meetings, as outlined in the written policies and procedures collaboratively developed between CSD, RDA, and DFFR.

Auditor's Concluding Remarks

We verified the Department created draft procedures for preparing the quarterly reports, but they did not impact the Department's reporting for federal fiscal year 2017. The procedures, in our judgment, are insufficient to compile the report and do not address how DSHS ensures the MOE expenditures reported by other agencies are allowable to claim.

Additionally, both program staff and RDA staff confirmed that, other than an excel spreadsheet showing totals and a certification, no further supporting documentation was received by the Department to confirm the expenditures that were claimed, how the calculations were performed or if the totals were reviewed prior to being sent to the Department.

The reference to U.S Code of Federal Regulations 45 Section 263.2(1)(e) as justification for only ensuring expenditures are "verifiable", does not apply to expenditures claimed from other state agencies, only other entities such as local governments.

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

Applicable Laws and Regulations

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

> Section 200.303 Internal controls, states in part:
>
> The non-Federal entity must:
>
> (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
>
> Section 200.516 Audit findings, states in part:
>
> (a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
>
> (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in

relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
>
> **Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:
>
> **Reasonably possible**. The chance of the future event or events occurring is more than remote but less than likely.
>
> **Probable**. The future event or events are likely to occur.
>
> **Significant deficiency in internal control over compliance.** A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Title 45, Code of Federal Regulations

Section 265.3 – What reports must the State file on a quarterly basis, states in part:

- (a) Quarterly reports
  - (1) Each State must collect on a monthly basis, and file on a quarterly basis, the data specified in the TANF Data Report and the TANF Financial Report

Section 263.2 – What kinds of State expenditures count toward meeting a State's basic MOE expenditure requirement, states in part:

- (e) Expenditures for benefits or services listed under paragraph (a) of this section may include allowable costs borne by others in the State (e.g., local government), including cash donations from non-Federal third parties (e.g., a non-profit organization) and the value of third party in-kind contributions if:
  - (1) The expenditure is verifiable and meets all applicable requirements in 45 CFR 75.2 and 75.306;

(2) There is an agreement between the State and the other party allowing the State to count the expenditure toward its MOE requirement; and,

(3) The State counts a cash donation only when it is actually spent.

Section 265.9 What information must the State file annually, states in part:

(a) Each State must file an annual report containing information on the TANF program and the State's MOE program(s) for that year. The report may be filed as:

(1) An addendum to the fourth quarter TANF Data Report; or

(2) A separate annual report.

(c) Each State must provide the following information on the State's program(s) for which the State claims MOE expenditures:

(1) The name of each program and a description of the major activities provided to eligible families under each such program;

(2) Each program's statement of purpose;

(3) If applicable, a description of the work activities in each separate State MOE program in which eligible families are participating;

(4) For each program, both the total annual State expenditures and the total annual State expenditures claimed as MOE;

(5) For each program, the average monthly total number or the total number of eligible families served for which the State claims MOE expenditures as of the end of the fiscal year;

(6) The eligibility criteria for the families served under each program/activity;

(7) A statement whether the program/activity had been previously authorized and allowable as of August 21, 1996, under section 403 of prior law;

(8) The FY 1995 State expenditures for each program/activity not authorized and allowable as of August 21, 1996, under section 403 of prior law (see § 263.5(b) of this chapter); and

(9) A certification that those families for which the State is claiming MOE expenditures met the State's criteria for "eligible families."

(d) If the State has submitted the information required in paragraphs (b) and (c) of this section in the State Plan, it may meet the annual reporting requirements by reference in lieu of re-submission. If the information in the annual report has not changed since the previous annual report, the State may reference this information in lieu of re-submission.

Section 265.10 When is the annual report due?

The annual report required by § 265.9 is due at the same time as the fourth quarter TANF Data Report.

Section 265.4 When are quarterly reports due?

(a) Each State must file the TANF Data Report and the TANF Financial Report (or, as applicable, the Territorial Financial Report) within 45 days following the end of the quarter or be subject to a penalty.

(b) Each State that claims MOE expenditures for a separate State program(s) must file the SSP-MOE Data Report within 45 days following the end of the quarter or be subject to a penalty.

(c) A State that fails to submit the reports within 45 days will be subject to a penalty unless the State files complete and accurate reports before the end of the fiscal quarter that immediately succeeds the quarter for which the reports were required to be submitted.

2018-030 The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Working Connections Child Care program.

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.558	Temporary Assistance for Needy Families
	93.575	Child Care and Development Block Grant
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award Number:	1801WATANF; 1801WATAN3; 1701WATANF; 1701WATAN3G1801WACCDF; G1701WACCDF; G1601WACCDF;	
Applicable Compliance Component:	Eligibility	
Known Questioned Cost Amount:	Temporary Assistance for Needy Families - $13,717 Child Care and Development Fund - $24,242	

Background

The Department of Children, Youth and Family (DCYF), formerly the Department of Early Learning, administers the federal Child Care and Development grant (CCDF) to help eligible working families pay for childcare. The Department of Social and Health Services (DSHS) determines client eligibility and pays childcare providers under an agreement with DCYF. The Temporary Assistance for Needy Families (TANF) grant funds may be used to pay clients' childcare costs to meet one of the program's primary purposes of helping clients obtain employment. If a client obtains employment and is no longer eligible for the program, TANF funds may still be used to pay childcare costs to help the client maintain employment.

In fiscal year 2017, the Departments paid childcare providers about $267 million in CCDF and TANF federal grant funds.

Some payments made for childcare are paid for by both the CCDF grant and the TANF grant. While the two federal programs are separate, the requirements and policies in Washington for childcare payments are consolidated under the Working Connections Child Care program.

For a family to be eligible for childcare assistance, state and federal rules require that children:

- Be younger than 13 (with some exceptions);
- Reside with a family whose income does not exceed 200 percent of the federal poverty level;
- Reside with a family whose income does not increase to over 85 percent of state, territorial or tribal median income for a family of the same size; and

- Reside with a parent or parents who work or attend a job-training or education program, or need to be receiving protective services.

State rules describe the information that clients must provide to DSHS to verify their eligibility. DSHS must complete client eligibility determinations within 30 days, or the application process must start over. The information must be accurate, complete, consistent and from a reliable source. This information includes, but is not limited to, employer and hourly wage information or proof of an approved activity under TANF, wage data and family household size and composition.

Once determined to be eligible for the program, a client is eligible for one year unless a change in income causes the client to exceed 85 percent of the state's median income. DSHS requires that clients self-report such income changes. If the client's new income exceeds this cutoff level, DSHS must determine if the client exceeded the threshold temporarily, or should be denied services.

DSHS has access to systems that contain wage and household benefit and composition data for some, but not all, childcare recipients. DSHS uses this information in part to determine program eligibility, benefit level including client co-payment and the amount of childcare the family is eligible to receive. If an ineligible client receives assistance, the payment made to the childcare provider is not allowable by federal regulations.

In the past six single audits for Washington, we reported in findings that DSHS did not have adequate internal controls over the eligibility process for childcare subsidy recipients. The three most recent audits also reported DSHS was materially non-compliant with federal requirements. These were reported as finding numbers 2017-026, 2016-023, 2015-026, 2014-026, 2013-017 and 12-30.

Description of Condition

DSHS did not have adequate internal controls to ensure it correctly determined and adequately documented clients were eligible before paying childcare providers.

Improper eligibility determinations

During the audit period, 46,367 clients were determined to be eligible for childcare. We used a statistical sampling method to randomly select and examine 91 of these determinations. In 30 instances (33 percent), we found DSHS made eligibility determinations improperly, did not obtain required documentation or did not verify information before authorizing services.

Specifically, we found:

- Seventeen cases (19 percent) where benefit levels were improperly calculated.
    - Nine where an inaccurate determination was made even though the client submitted adequate support
    - Five where the case worker did not obtain enough information to make an accurate determination
    - Three where it was determined care was not actually needed

- Thirteen cases (14 percent) that did not meet initial eligibility requirements and benefits were improperly calculated

    - Six where DSHS did not use the data provided, resulting in inaccurate calculations. In two of these cases, the client was not eligible to receive services.
    - Seven cases where there were questions about how many people were living in the home and how much income they made, and DSHS did not request sufficient documentation or perform other follow up actions to verify. In two of these cases, the parent applied and was denied services due to the other adult living in the home not working or because their income was too high. The clients then re-applied, stating that the other adult was no longer in the home, but DSHS did not follow up to verify this information and approved them to receive benefits.

Inadequate supervisory reviews

In most cases, a DSHS caseworker processes client eligibility information and authorizes services without a secondary review or approval. For authorizations requiring more than standard full-time care, DSHS policy requires staff to use a special authorization code. The code does not become active until a supervisor has reviewed and approved the request.

We found two authorizations that were reviewed by a supervisor but were processed improperly. In one instance, the client was over the income limit, which was not identified during review. In the second instance, DSHS had information showing another adult in the home, and further information was not collected to determine if the eligibility determination was proper.

Internal reviews

DSHS performs multiple types of internal audits in relation to the CCDF program. These audits usually have a particular focus and do not address all areas regarding a particular client's eligibility. These audits have found significant noncompliance for many years. During the audit period, DSHS identified about $11.6 million in overpayments. Last year, these examinations identified about $23.8 million in overpayments. DSHS classifies the error trends each year and for at least the last four years has identified incorrect income budgeting, incorrect care authorizations and incorrect co-payment determinations as error trends. Despite being aware of these issues, DSHS has not implemented sufficient internal controls to address and correct them.

We consider these internal control deficiencies to be a material weakness for the CCDF program and a significant deficiency for the TANF program.

Cause of Condition

DSHS staff made eligibility determinations without requiring sufficient supporting documentation to ensure the client was eligible, such as three months' of wage information and wage information for a secondary adult in the home. While DSHS has policies and procedures, they are not detailed enough to ensure staff document determinations in a consistent manner. These policies and procedures were also not in line with the CCDF plan approved by the federal grantor. Additionally, management did not ensure staff consistently followed the procedures that were in place.

While DSHS audits of eligibility determinations identify errors after the fact, this has not been effective in preventing clients from being improperly approved.

Effect of Condition and Likely Questioned Costs

Because it does not have adequate internal controls in place, DSHS is at a higher risk of paying providers for childcare services when clients are ineligible.

Of the 30 client eligibility determinations we identified with errors, 23 resulted in $37,959 of federal overpayments to providers. Of this amount, $24,242 was paid with CCDF grant funds and $13,717 was paid with TANF grant funds.

CCDF questioned costs

The following is a breakdown of the $24,242 in questioned costs paid with CCDF grant funds:

- $2,151 was paid for care that was not needed due to the parent's schedule.
- $6,615 was paid for clients whose income exceeded the allowable amount to receive childcare.
- $4,150 was paid to clients who had an inaccurate co-pay assessed.
- $11,326 was paid to clients from whom DSHS did not collect the required documentation to determine their eligibility.

TANF questioned costs

The following is a breakdown of the $13,717 in questioned costs paid with TANF grant funds:

- $3,031 was paid for care that was not needed due to the parent's schedule.
- $3,007 was paid for clients whose income exceeded the allowable amount to receive childcare.
- $1,842 was paid to clients who had an inaccurate co-pay assessed.
- $5,837 was paid to clients from whom DSHS did not collect the required documentation to determine their eligibility.

Because we used a statistical sampling method to randomly select the payments examined in the audit, we estimate the amount of likely federal improper payments to be $16,121,480 for the CCDF grant and $8,300,491 for the TANF grant.

Further, many of the improper payments were partially funded by state dollars. Specifically, we found $796 of improper CCDF state payments and $48 in improper TANF state payments, which projects to a likely improper payment amount of $533,346 for CCDF and $33,351 for TANF. This amount is not included in the federal questioned costs.

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

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures were in compliance with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. This conclusion is reflected in our audit report and finding. However, the likely questioned costs projections are a point estimate and only represent our "best estimate of total questioned costs" as required by 2 CFR 200.516(3).

Recommendations

We recommend DSHS improve its internal controls over determining eligibility to ensure:

- Authorizations for childcare are adequately supported with verified documentation
- Eligibility determinations are reviewed sufficiently to detect improper eligibility determinations
- Employees review client eligibility documents and compare those documents with source data available to DSHS staff
- Income and household composition are adequately supported and accurate

We also recommend DSHS consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

Department's Response

The Department of Social and Health Services (DSHS) appreciates, acknowledges and supports the State Auditor's Office's (SAO) mission, which is to hold state and local government accountable for the use of public resources. Further, we particularly appreciate SAO's work with us over the past year to strengthen the auditing process.

In response to DSHS 2016-028 and 2017-026 CCDF Eligibility Findings, the Department enacted major changes to improve our internal controls over determining eligibility. However, many of these changes were implemented during the SFY 18 audit period, with some changes not implemented until after the end of the SFY 18 audit period. Therefore, in our response to the SFY 17 audit findings, we acknowledged we were likely to see these same findings in the SFY 18 audit period. We have outlined, below, the major changes that resulted in our improved internal controls.

***SAO Description of Weakness: Improper Eligibility Determinations** – DSHS made improper eligibility determinations, did not obtain required documentation or did not verify information before authorizing services.*

*Of the 30 exceptions cited, the Department **concurs** that we did not comply with eligibility requirements to some degree for 29 exceptions. Within these 29 exceptions, however, our further review indicates that minor procedural errors had no effect on 10 of these exceptions - we accurately determined eligibility resulting in no overpayments to the clients.*

For the 19 exceptions that we agree resulted in a payment error, in 10 of these cases the client was eligible, however, either the copayment or the amount of care authorized was incorrect, resulting in a partial payment error.

The Department will establish overpayments where appropriate and refer it to the Office of Financial Recovery for collection.

The Department ***does not*** *concur that we did not comply with eligibility requirements for one exception.*

The Department collaborated with the Department of Children, Youth, and Families (DCYF) to update policies and procedures, and develop system enhancements to correct weaknesses and improve internal controls:

- *Effective August 30, 2017, the Department implemented automation enhancements to auto-generate a sixty-day reminder letter requesting income verification of new employment.*

- *Effective March 1, 2018, the Department, in conjunction with DCYF, updated the appropriate WACs, procedures, and trainings to strengthen verification of household composition including mandatory cross-matching with other state systems, and to clarify required documentation regarding new employment wage verification within sixty days of the Department's request.*
    - *This improved the automation enhancement the Department completed on February 21, 2017 to add a flag when the household composition for child care is different than household composition information entered in other state systems.*

- *As of October 1, 2018, new Family, Friend, and Neighbor (FFN) providers are required to receive DCYF's full Portable Background Check (PBC) and be approved by DCYF as a provider. DCYF creates a vendor number once the provider is approved and the provider's eligibility and vendor number is communicated with DSHS. DSHS must have this vendor number and approval to create an authorization. This separation of duties creates stronger internal controls and reduces the possibility of an ineligible provider receiving an authorization for payment.*

SAO Description of Weakness: Inadequate Supervisory Review - *In most cases, a DSHS caseworker processes client eligibility information and authorizes services without a secondary review or approval. For authorizations requiring more than standard full-time care, DSHS policy requires staff to use a special authorization code. The code does not become active until a supervisor has reviewed and approved the request. We found two authorizations that were reviewed by a supervisor but were processed improperly.*

The Department partially concurs with this description. Child care program policy, set by DCYF, only requires supervisor approval when certain criteria is met, for example, when additional days of care that exceeds twenty-three full days or thirty half days. Policy does not require secondary review or approval when determining eligibility, and authorizing benefits and payment. However, the Department continues to employ the following controls to ensure child care subsidy payment authorizations are made correctly:

- *The Department requires a supervisory review of payment requests that exceed certain parameters. The supervisor reviews the need for the additional payment and either approves the payment by submitting the authorization to the DSHS Social Service Payment System (SSPS) or denies the payment if the consumer is not eligible. In July 2017, the Department added a monthly report to check for any situations where it appeared that an authorization may have been approved without the required secondary review. This report has confirmed that most cases are being handled appropriately.*

- *For authorizations with high cost special needs rates, a panel consisting of DSHS and DCYF staff review the request and supporting documentation prior to approval, and then a supervisor reviews the authorization prior to payment.*

- *The Department requires that 100 percent of new employees' work is audited by a lead worker until they achieve proficiency. These reviews may be conducted either pre or post-authorization.*

In addition, the Department implemented the following supplementary supervisory review:

- *In certain circumstances, employees code cases considered at high risk for error using a "9"code which requires a supervisory review prior to authorization. Beginning July 2017 and monthly thereafter, Centralized Auditors review a (new) 9-code avoidance report which identifies cases that are flagged for potentially requiring 9-coded care (supervisory approval). The Centralized Auditor reviews the cases and follows up with the original agent for coaching and corrective action.*

- *In conjunction with DCYF, the Department implemented changes that increase internal controls to prevent potential employee fraud. Beginning in June 2018, the eligibility system automatically flags any case an agent has accessed without prompting by the system. Supervisors or leads then conduct integrity reviews of these cases.*

SAO Description of Weakness: Internal reviews - *DSHS performs multiple types of internal audits in relation to the CCDF program. These audits usually have a particular focus and do not address all areas regarding a particular client's eligibility. DSHS classifies the error trends each year and for at least the last four years has identified incorrect income budgeting, incorrect care authorizations and incorrect co-payment determinations as error trends. Despite being aware of these issues, DSHS has not implemented sufficient internal controls to address and correct them.*

The Department partially concurs with this description. The Department has made significant improvements to ensure correct eligibility determinations. However, the trends identified above are overly broad and unlikely to change as they are the three largest pivot points in all determinations. We continue to employ the following controls to ensure child care subsidy payment authorizations are made correctly:

- *Audit at least one percent of child care cases monthly. As reported quarterly to DCYF, these audits average about four percent of the overall caseload.*

- *Review payment requests that exceed certain parameters.*

- *Audit 100% pre/post authorization for all new child care eligibility staff until they attain proficiency.*

- *Participate in the Improper Payments Information Act (IPIA) audit required by the Federal Office of Child Care and conducted by the DCYF once every three years. In federal fiscal year 2017, this audit found that less than three percent of the total amount of payments for the sampled cases were made in error.*
- *Review cases, or refer to DCYF for a provider review, where it appears likely that an improper payment may have occurred. Reviews include requesting attendance records to determine whether an overpayment occurred, whether it was a provider or client that was overpaid, the amount of the improper payment and establishing an overpayment if appropriate.*

Beginning in February 2018, the Department implemented a child care Process Review Panel (PRP). Based on the highly-successful and established model that produces an average 95% accuracy rate in federal Supplemental Nutrition Assistance Program (SNAP) eligibility determination, the PRP introduced the same rigor and attention to eligibility determinations for child care subsidies. The Department's Division of Program Integrity Child Care Quality team reviews cases selected based on a statistically valid methodology, verifies case circumstances and arrives at quality control determinations about whether each sampled case has been correctly determined in accordance with state policy and procedure. The Department uses the results of this case-error review system to inform programmatic, process, systems and policy-level continuous improvement prioritization and implementation. The system also identifies cases with a high risk of error and informs decisions about pre-authorization reviews.

In conclusion, the Department acknowledges the State Auditor's findings and appreciates the Auditor's willingness to work with us to strengthen the Working Connections Child Care Program. The Department has greatly improved and will continue to improve internal controls over eligibility determination. The Department's actions in response to the State Auditor's findings have yielded a precipitous decline in overpayments.

Beginning July 1, 2019, the Department will transfer responsibility for administering all aspects of client eligibility determination and child care provider payment under the Child Care Development Fund (CCDF) to DCYF. While the Department continues to play an active role in supporting continuous improvements within the Working Connections Child Care Program, we acknowledge that subsequent changes and enhancements to this program are within the purview of DCYF.

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

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

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

Section 200.303 Internal controls, states in part:

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

Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.
(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the sample purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).

(g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

  (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

  (3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
> **Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:
>
> > **Reasonably possible**. The chance of the future event or events occurring is more than remote but less than likely.
> > **Probable**. The future event or events are likely to occur.
>
> **Significant deficiency in internal control over compliance.** A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
> **Material noncompliance**. In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

45 CFR 98.20 A child's eligibility for child care services, states:

> (a) To be eligible for services under §98.50, a child shall, at the time of eligibility determination or redetermination:(1) (i) Be under 13 years of age; or,
> (ii) At the option of the Lead Agency, be under age 19 and physically or mentally incapable of caring for himself or herself, or under court supervision;
> (2) (i) Reside with a family whose income does not exceed 85 percent of the State's median income (SMI), which must be based on the most recent SMI data that is published by the Bureau of the Census, for a family of the same size; and

(ii) Whose family assets do not exceed $1,000,000 (as certified by such family member); and

(3) (i) Reside with a parent or parents who are working or attending a job training or educational program; or

(ii) Receive, or need to receive, protective services, which may include specific populations of vulnerable children as identified by the Lead Agency, and reside with a parent or parents other than the parent(s) described in paragraph (a)(3)(i) of this section.

(A) At grantee option, the requirements in paragraph (a)(2) of this section may be waived for families eligible for child care pursuant to this paragraph, if determined to be necessary on a case-by-case basis.

(B) At grantee option, the waiver provisions in paragraph (a)(3)(ii)(A) of this section apply to children in foster care when defined in the Plan, pursuant to §98.16(g)(7).

(b) A grantee or other administering agency may establish eligibility conditions or priority rules in addition to those specified in this section and §98.46, which shall be described in the Plan pursuant to §98.16(i)(5), so long as they do not:

(1) Discriminate against children on the basis of race, national origin, ethnic background, sex, religious affiliation, or disability;

(2) Limit parental rights provided under subpart D of this part;

(3) Violate the provisions of this section, §98.46, or the Plan. In particular, such conditions or priority rules may not be based on a parent's preference for a category of care or type of provider. In addition, such additional conditions or rules may not be based on a parent's choice of a child care certificate; or

(4) Impact eligibility other than at the time of eligibility determination or redetermination.

(c) For purposes of implementing the citizenship eligibility verification requirements mandated by title IV of the Personal Responsibility and Work Opportunity Reconciliation Act, 8 U.S.C. 1601 et seq., only the citizenship and immigration status of the child, who is the primary beneficiary of the CCDF benefit, is relevant. Therefore, a Lead Agency or other administering agency may not condition a child's eligibility for services under §98.50 based upon the citizenship or immigration status of their parent or the provision of any information about the citizenship or immigration status of their parent.

WAC 170-290-0005 Eligibility, states:

(1) At application and reapplication, to be eligible for WCCC, the applicant or reapplicant must:

(a) Have parental control of one or more eligible children;

(b) Live in the state of Washington;

(c) Be the child's:

(i) Parent, either biological or adopted;

(ii) Stepparent;

(iii) Legal guardian verified by a legal or court document;

(iv) Adult sibling or step-sibling;

(v) Nephew or niece;

(vi) Aunt;
(vii) Uncle;
(viii) Grandparent;
(ix) Any of the relatives in (c)(vi), (vii), or (viii) of this subsection with the prefix "great," such as great-aunt; or
(x) An approved in loco parentis custodian responsible for exercising day-to-day care and control of the child and who is not related to the child as described above;

(d) Participate in an approved activity under WAC 170-290-0040, 170-290-0045, 170-290-0050, or have been approved per WAC 170-290-0055;
(e) Comply with any special circumstances that might affect WCCC eligibility under WAC 170-290-0020;
(f) Have countable income at or below two hundred per- cent of the federal poverty guidelines (FPG) and have resources under one million dollars per WAC 170-290-0022;
(g) The consumer's eligibility shall end if the consumer's countable income is greater than eighty-five percent of the state median income or if resources exceed one million dollars;
(h) Complete the WCCC application and DSHS verification process provided in WAC 170-290-0012 regardless of other program benefits or services received;
(i) Effective March 1, 2018, certify under penalty of per- jury, the applicant's or reapplicant's status as:
(i) Married;
(ii) Unmarried and living with the parent of any child in the household; or
(iii) Single parent not living with the parent of any child in the household.

(j) Meet eligibility requirements for WCCC described in Part II of this chapter.

(2) Children. To be eligible for WCCC, the child must:
(a) Belong to one of the following groups as defined in WAC 388-424-0001:
(i) A U.S. citizen;
(ii) A U.S. national;
(iii) A qualified alien; or
(iv) A nonqualified alien who meets the Washington state residency requirements as listed in WAC 388-468-0005;

(b) Live in Washington state, and be:
(i) Less than thirteen years of age; or
(ii) Less than nineteen years of age, and:
(A) Have a verified special need, according WAC 170-290-0220; or
(B) Be under court supervision.

WAC 170-290-0012 Verifying consumers' information, states:

(1) When a consumer initially applies or reapplies for benefits, DSHS requires the consumer to provide verification of child care subsidy eligibility if the department is unable to verify through agency records or systems.
(2) During the consumer's eligibility period, DSHS will request verification for changes that may affect the consumer's benefit amount or eligibility when the department is unable to verify through agency records or systems if:

(a) The consumer reports a change;
(b) DSHS discovers the consumer's circumstances have changed; or
(c) The information DSHS has is questionable or outdated.

(3) DSHS notifies the consumer when verification is required.

(4) DSHS may accept verification to support the consumer's statement of circumstances. The verification the consumer gives DSHS must:
(a) Clearly relate to what the consumer is trying to provide;
(b) Be from a reliable source; and
(c) Be accurate, complete, and consistent.

(5) When the consumer gives DSHS questionable verification DSHS will:
(a) Ask the consumer to provide DSHS with more verification or provide a collateral contact (a "collateral contact" is a statement from someone outside of the consumer's residence that knows the consumer's situation); or
(b) Send an investigator from the DSHS office of fraud and accountability (OFA) to make an unannounced visit to the consumer's home to verify the consumer's circumstances. Consumer's rights are found in WAC 170-290-0025.

(6) At the time of application, reapplication, or when changes are reported, DSHS will verify the following:
(a) The consumer's Washington residency;
(b) That the consumer has parental control of an eligible child per WAC 170-290-0005;
(c) The consumer's household composition:
(i) DSHS will compare the consumer's statement of household composition against records for that consumer under TANF, food assistance, medical assistance, and child support services;
(ii) If the consumer's statement of household composition is questionable when compared against records for that consumer under TANF, food assistance, medical assistance, and child support services, DSHS may take the action described in subsection (5) of this section; and
(iii) Effective March 1, 2018, if the consumer is the only parent named on the benefits application and DSHS is unable to verify household composition in agency records under TANF, food assistance, medical assistance, or child support services, then the consumer must:
(A) Provide the name and address of the other parent, or indicate, under penalty of perjury, that the other parent's identity and address are unknown to the applicant or that providing this information will likely result in serious physical or emotional harm to the consumer or anyone residing with the consumer; and
(B) Indicate under penalty of perjury whether the parent is present or absent in the household;
(d) Whether the consumer is participating in an approved activity, including the consumer's income and schedule from the approved activity;
(e) Whether the consumer complies with applicable eligibility rules in WAC 170-290-0020;
(f) Other income and countable resources under WAC 170-290-0005;
(g) If any other parent, as determined in WAC 170-290-0015, is in the household, the same information in (a) through (g) of this subsection is verified for that parent; and
(h) The citizenship or alien status of a child receiving child care subsidies.

(7) If DSHS requires verification from a consumer that costs money, DSHS must pay for the consumer's reasonable costs.

(8) DSHS does not pay for a self-employed consumer's state business registration or license, which is a cost of doing business.

(9) If a consumer does not provide all of the verification requested within thirty days from the application date, DSHS will determine the consumer's eligibility based on the information already available to DSHS. DSHS shall deny the application or reapplication if the available information does not confirm eligibility.

2018-031 The Department of Social and Health Services improperly charged payroll costs to the Child Support Enforcement Grant.

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.563 Child Support Enforcement
Federal Award Number:	1704WACEST, 1704WACSES, 1804WACEST, 1804WACSES
Applicable Compliance Component:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Known Questioned Cost Amount:	$29,733

Background

The Department of Social and Health Services, Division of Child Support, (Department) administers the Child Support Enforcement grant. The grant provides financial support to families by locating noncustodial parents, establishing and enforcing child support orders, establishing and enforcing medical insurance coverage, establishing paternity, and collecting and paying child and spousal support payments.

The Department operates under federal regulations as well as a state plan that is approved every year. The Department is allowed to spend federal grant money on administrative costs to run the program. Staff bill 100 percent of their time to the Child Support Enforcement grant, and the Department uses a monthly certification process to ensure time is billed accurately. Any employee who did not work 100 percent of their time on the grant must submit a timesheet. At the end of each month, the Department creates journal vouchers (JVs) to allocate the payroll costs from the Child Support Enforcement grant to other activities associated with work by these employees.

In fiscal year 2018, the Department spent over $112 million in federal funds on the program; about $62 million of this amount was for salaries and benefits.

In the prior audit, we reported the Department did not properly allocate payroll costs to the Child Support Enforcement Grant. The prior finding number was 2017-023.

Description of Condition

We examined the payroll costs charged for five months of the fiscal year and found the Department improperly charged $29,733 in payroll costs to the Child Support Enforcement Grant.

Cause of Condition

The Department said some timesheets were not processed, the template used to calculate transfers had formula errors and the JV for one monthly transfer was not processed.

Effect of Condition and Questioned Costs

We found $29,733 in direct payroll and benefits charged to the Child Support Enforcement grant that should have been allocated to other grants. We used a non-statistical sampling approach to select the transactions we selected for audit and estimate the total amount of likely improper payments to be $71,359. Because the expenditures for this program are funded with both federal and state dollars, we also identified $15,317 in improper state payments with a likely improper payment amount of $36,761.

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

Recommendation(s)

We recommend the Department:

- Ensure all required timesheets are processed
- Ensure formulas used to perform calculations are correct
- Ensure all JVs are processed
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

Department's Response

At the time of the audit, the Department concurred with the State Auditor's Office's (SAO) findings. However, after further research of SAOs testing, the Department revised our stance to partially concur with this finding.

The Department concurs the template used to calculate transfers had formula errors and the JV for one monthly transfer was not processed.

Prior to the audit finding, in August 2018, the Department created a new journal voucher (JV) template with correct formulas to perform calculations, and added a supervisory review prior to processing JVs. In addition, the Department changed the process of separating the JVs by funding source to reduce the complexity and volume of JVs.

The Department will also:

- *Correct accounting records to charge the appropriate costs to the Child Support Enforcement grant (returning funds to the grant).*
- *Review current procedures for processing JVs and strengthen appropriately to ensure all JVs going forward are processed*

The Department will ensure the aforementioned corrective actions are implemented effectively and in a timely manner.

The Department does not concur that some timesheets were not processed. The timesheets in question are for employees whose time is spent processing negotiables for another Administration. For this *work, the Department bills (no JV) the other Administration for the work done and brings the receipts in as a reduction to expenditures for Title IV-D.*

The Department also does not concur with SAOs total questioned costs of $29,733. During the state fiscal year (SFY) 2018 Statewide Single Audit (SWSA), the Department was reviewing SAOs testing for audit finding 2017-023 as part of the National External Audit Review (NEAR) process to close the 2017-023 finding with the cognizant federal agency. During the NEAR process the Department discovered the SAO made calculation errors in their testing. Due to this discovery and the requirement to ensure the Department only returns the appropriate funds, the Department started reviewing SAOs SFY 2018 SWSA testing.

The Department's review of audit finding 2018-001 began in November 2018 once the Department discovered the miscalculations that incorrectly resulted in audit finding 2017-023.

In reviewing the SAOs testing for audit 2018-001, the Department found:

- *$18,909 of the questioned costs was incorrectly included for one employee (covering a three month period) whom is coded to state only.*
- *$1,817 of the questioned costs was incorrectly included for employees whose time is spent processing negotiables for another Administration, and for work performed on another agencies federal grant. In both of these instances, the Department bills for the work done and brings the receipts in as a reduction to expenditures for Title IV-D.*
- *$1,128 of the questioned costs was incorrectly included for a JV to transfer costs of an employee that was not included in the sample.*
- *$926 of the questioned costs was incorrectly included for an employee coded to another grant.*
- *$677 of the questioned costs was incorrectly included for a journal voucher transferring out costs that were not included in the calculations.*
- *$792 of the questioned costs was incorrectly included due to miscellaneous errors and rounding.*

Of the $29,733 questioned costs, the Department determined $24,250 was due to the aforementioned SAO miscalculations. Therefore, the Department calculates the actual questioned costs as $5,484.

The Department completed their review and presented their results to the SAO in early February prior to the Statewide Single Audit report being published. However, SAO took the stance not to revise the finding because the Department initially agreed with the exceptions, initially did not have any technical comments, and then initially (based on information the Department trusted as being accurate) concurred with the finding at the time of the audit (which was prior to the Department's discovery of SAOs miscalculations).

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

Auditor's Concluding Remarks

Before initially sending this finding to the Department on October 2, 2018, we met with program staff and thoroughly discussed each of the identified exceptions. In every case, Department staff fully agreed with our results. When providing its original, formal response to the finding, the Department again stated that it had reviewed all of the associated questioned costs and concurred, even asking for an extension to give them sufficient time for review, which we granted.

Almost four months later, the Department provided additional information and indicated it no longer agreed with our conclusions. We performed a cursory review to see if further work was required. In our judgment, most of the information the Department asserted was not accurate.

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.403 Factors affecting Allowability of costs.

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the sample purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
(g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Section 200.430 Compensation—personal services, states in part:

(a) General. Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in § 200.431 Compensation—fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

(1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;

(3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.

(i) Allowable activities. Charges to Federal awards may include reasonable amounts for activities contributing and directly related to work under an agreement, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, developing and maintaining protocols (human, animals, etc.), managing substances/chemicals, managing and securing project-specific data, coordinating research subjects, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences.

2018-032 The Department of Commerce did not have adequate internal controls over and did not comply with requirements to monitor subrecipients of the Low-Income Home Energy Assistance program.

Federal Awarding Agency:	U. S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.568 Low-Income Home Energy Assistance
Federal Award Number:	G-18B1WALIEA, G-17B1WALIEA, G-1701WALIE4, G-16B1WALIEA, G-1601WALIE4
Applicable Compliance Component:	Subrecipient Monitoring
Known Questioned Cost Amount:	None

Background

The Department of Commerce administers the Low-Income Home Energy Assistance program, which provides assistance to low income households to meet their home energy needs. Community-based organizations receive subawards from the Department to provide this assistance. The organizations perform program eligibility determinations and award grants to eligible households. In fiscal year 2018, the Department spent over $57 million in federal program funds, almost $51 million of which was paid to subrecipients.

The Department performs on-site monitoring of subrecipients every three years and performs desk monitoring during the two intervening years. The on-site monitoring and desk monitoring include the review of a selection of eligibility determinations and three individual expenditures paid by the subrecipient with federal funds.

Description of Condition

We found the Department did not have adequate internal controls to ensure subrecipients properly spent the federal funds they received. The monitoring the Department performed was insufficient to ensure it could reasonably detect unallowable or unsupported costs by the community-based organizations. The Department reviewed the documentation for three expenditures at each of the community-based organizations during on-site monitoring and desk monitoring.

We reviewed supporting documentation of five of the 10 on-site monitoring visits and five of the 16 desk reviews the Department performed during the audit period to identify the percentage of federal funds the subrecipient received that were reviewed by the Department. We found the Department reviewed:

- Less than 1 percent of the federal funds in two reviews.
- Less than 2 percent of the federal funds in another three reviews.
- Less than 5 percent of the federal funds in another two reviews.
- Five percent, 12 percent and 16 percent of the federal funds in the other three reviews.

Of the over $17.7 million spent by these 10 subrecipients, the Department reviewed less than $550,000 (3 percent).

We consider this internal control deficiency to be a material weakness. This condition was not reported in the prior audit.

Cause of Condition

The Department believed that its monitoring practices were sufficient to detect unallowable or unsupported costs by the local community based organizations. The Department had previously performed more in-depth fiscal monitoring, but discontinued that process prior to the audit period.

Effect of Condition

When sufficient monitoring is not conducted, the likelihood increases that the Department would not detect unallowable or unsupported costs at the community-based organizations.

Recommendation

We recommend the Department strengthen its internal controls regarding how it monitors the activities of subrecipients to ensure subawarded federal funds are used for authorized purposes.

Department's Response

The Department concurs with the audit recommendations to strengthen internal controls regarding monitoring subrecipient activities to ensure the authorized use of subawarded federal funds. Our efforts to enhance detection of unallowable or unsupported costs by the local community based organizations will center on staff training, leveraging department resources to increase coverage, and a data driven approach to fiscal administrative monitoring.
Action Steps:

- *Increase number of reviewed transactions during onsite and desk monitoring. The monitoring team will select the fiscal transactions for review based on the highest three months of spending during the current program year. Staff will select the general ledger and back up documents for every transaction during those months to verify allowed costs. By January 31, 2019, program staff will review and update the LIHEAP monitoring plan to reflect the suggested enhancements to onsite and desk monitoring.*
- *Coordinate with Weatherization to increase fiscal administrative coverage for LIHEAP funds. Weatherization utilizes LIHEAP funding as a portion of their grants to sub-recipients. LIHEAP staff will also attend trainings hosted by Weatherization on fiscal administrative monitoring. By March 29, 2019, the LIHEAP program will coordinate efforts around leveraging fiscal administrative functions of Weatherization monitoring.*
- *Require submission of fiscal back up documentation for invoices during the program year. The LIHEAP team will analyze spending for each local community based organization in the network in order to determine spending trends during the heating season of a five-year period. Based on that analysis, we will identify the highest three months of spending, and will require each local community based organization to submit backup documentation for each*

expense incurred to monitor for allowed costs during the months we have identified. By March 29, 2019, the LIHEAP program will research spending trends and implement required submission of backup documentation for invoices for every sub-recipient.

These three areas of enhancement will increase the likelihood that the department will detect unallowable or unsupported costs at the subrecipient level.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

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

All pass-through entities must:

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

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

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

(e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

(1) Providing subrecipients with training and technical assistance on program-related matters; and
(2) Performing on-site reviews of the subrecipient's program operations;
(3) Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.

Section 200.516 Audit findings, states in part:
(a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:

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

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed

control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

2018-033 The Department of Children, Youth, and Families did not have adequate internal controls to ensure payroll charges to the Child Care and Development Fund program were allowable and properly supported.

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.575	Child Care and Development Block Grant
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award Number:	G1801WACCDF; G1701WACCDF; G1601WACCDF	
Applicable Compliance Component:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$9,544,526	

Background

The Department of Children, Youth, and Families (formerly the Department of Early Learning) administers the federal Child Care and Development Fund (CCDF) grant to help eligible working families pay for childcare.

The Department may use grant funds only for costs that are allowable and related to the grant's purpose. According to Department policy, employees whose positions are funded by a single federal award or a single cost activity must certify twice a year using a semi-annual certification they did not perform any other duties. The certification must be approved by the employee's supervisor who has firsthand knowledge of the activities the employee performed in the prior six-month period. In addition, for employees who work on additional cost activities other than the grant program, they must complete a timesheet twice a month.

In fiscal year 2018, the Department spent almost $250 million in federal funds on the CCDF program. About $19 million of that total was for payroll expenses of employees who worked on the program.

Description of Condition

The Department did not have adequate internal controls to ensure payroll charges to the CCDF program were allowable and properly supported.

The Department did not complete the semi-annual certifications on time for the second half of fiscal year 2018 (January 1 to June 30, 2018). These certifications covered 234 employees. The Department's policy states that by July 16, an email notification will be sent to employees who need to submit the semi-annual certifications, and the forms must be completed and reviewed within five business days. They second half of the semi-annual certifications were eventually completed, but more than two months after the Department's due date.

In addition, we identified three instances for the first half of the fiscal year (July 1 to December 31, 2017), when semi-annual certifications or timesheets were not completed for employees to allocate their time. We also found two employees for the second half of the year should have completed timesheets to allocate their time for all or part of the period, but did not.

We consider these internal control deficiencies to be a significant deficiency.

This condition was not reported in the prior audit.

Cause of Condition

The Department had policies in place to ensure compliance, but they were not followed. The semi-annual certifications were not emailed to staff for the period in question, and the supervisors did not ensure the certifications were completed within the designated timeframe as required by Department policy. Additionally, management did not provide sufficient oversight to ensure timely compliance with the requirement.

During the period in question, the Department, as directed by the state legislature, was in the process of closing the Department of Early Learning and creating a new state agency that also merged another state agency. Due to the lack of availability of resources, management considered other areas to be of higher priority for responsible staff with the July 1, 2018 merger deadline. This led to the semi-annual certifications not being completed by the deadline as set in Department policy.

Effect of Condition and Questioned Costs

The Department charged $9,544,526 in direct payroll and benefits to the CCDF program that were not adequately supported. We are questioning these costs, which consist of:

- $9,398,547 for the 234 employees who did not complete semi-annual certifications for the second half of the fiscal year
- $64,630 for the three employees who did not complete the required documentation to support their salary for the first half of the fiscal year
- $81,349 for the two employees who should have completed time sheets for the second half of the fiscal year

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

Recommendations

We recommend the Department:

- Follow its own policy to ensure payroll costs charged to a federal grant are supported by required documentation
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

Department's Response

The Department partially concurs with the exceptions that were identified by the State Auditor's Office around the internal controls for payroll charges to the CCDF grant. While the Department concedes that semi-annual certifications, documentation, and timesheets were not completed as described above, we maintain that the cause of the issue was an isolated, exceptional circumstance that no longer presents an internal control issue going forward. Further, we have since completed the semi-annual certifications described above and addressed staff with missing timesheets. In addition, 167 (representing $6.9 million of the questioned costs) of the employees referenced are licensing or program staff who are 100% eligible for payroll charges to the CCDF grant and who do not perform duties other than those that are approved activities related only to the CCDF program.

As stated in the Cause of Condition, the Department of Early Learning (DEL) was part of the transition to the new state agency, the Department of Children, Youth, and Families (DCYF). The two payroll staff that were responsible for completing the DEL semi-annual certifications were also responsible for onboarding and processing payroll for 3,306 employees during the same time-period. Due to the lack of available resources, DCYF chose to focus staff time on processing the new agency payroll and benefits payments.

The Department maintains that the questioned costs of $9,398,547 for the 234 employees referenced by SAO was a timing issue and the Department is in compliance with Federal CFR requirements. Once all onboarding tasks were stabilized, the payroll staff completed the semi-annual certifications for the former DEL. Prior to the transition, the payroll certifications were completed by the Department established deadlines and when division managers changed positions or left the agency.

As to the Auditor's specific findings regarding lack of timesheets, DCYF concurs and offers the following additional details:

- *DCYF made retroactive adjustments to employee payroll coding resulting in multiple cost activities being charged. DCYF will implement preventative internal controls over allowable retroactive adjustments to ensure payroll charges are properly documented.*
- *DCYF will continue to review position action requests (PARs) and monthly payroll reports to ensure timesheets are being completed by employees charging to multiple cost activities.*

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

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

Section 200.303 Internal controls, states in part:

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

Section 200.403 Factors affecting Allowability of costs.

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed

control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

The Department of Early Learning, 3.07 Federal Timekeeping Policies and Procedures, states in part:

Positive Time and Attendance Record (PTAR). Employees who work on multiple cost activities will be required to confirm their Time and Attendance bi-monthly through the use of a PTAR which must meet the following standards:

- Must be completed each pay period.
- Must reflect an after-the-fact distribution of the actual activity of the employee.
- Must account for the total activity for which the employee is compensated.
- The employee will prepare these forms after the work has been completed and will account for all hours for which the employee was compensated.
- Must be approved a responsible supervisory official who has firsthand knowledge of the activities performed by the employee.
- Every July and February the grant department will audit the forms for completion and accuracy as appropriate.
- If at any time the employee and/or supervisor notes that an employee's duties are no longer solely committed to a single cost activity, the employee will immediately be determined to be working on multiple cost activities and will begin the process to document Time and Attendance on a Positive Time and Attendance Record (PTAR).

Semi-annual Certification. For employees who work solely in a single federal award or a single cost activity, will have their Time and Attendance confirmed twice annually through the use of a Semi-Annual Certification. Semi-annual certification must meet the following standards:

- The certificate must be provided to the payroll office semi-annually and must reflect the appropriate pay periods.

- The certificate must be approved by the employee's responsible supervisory official who has firsthand knowledge of the activities performed by the employee in the prior six-month period.
- The certificate must reflect an after-the-fact distribution of the actual activity of each employee.
- Semi-Annual Certification will include the names of all individuals paid through a specified federal grant who have worked on a single cost activity in the previous six month period.
- These certifications will be distributed by the grant department for the time period of July 1st – December 31st and January 1st – June 30th.
- If at any time the employee and/or supervisor notes that an employee's duties are no longer solely committed to a single cost activity, the employee will immediately be determined to be working on multiple cost activities and will begin the process to document Time and Attendance on a Positive Time and Attendance Record (PTAR).

Step-by-Step Process: Semi-Annual Certification

Employees who are funded by a single federal grant or cost objective must complete a Semi- Annual certification of time spent in the activity to which they are charged in lieu of a semi- monthly Timesheet Form.

1. Provide previous months Payroll reports on the 15th of the current month. Email the report to Grant Staff when report is complete.
2. Audit and review payroll reports monthly, verifying employees coding and certificates form have been completed.
3. By the 16th of January and July, an email notification will be sent to employees who need to submit a certification. The email will include a semi-annual certification form.
4. Review, verify accuracy, resolve questions, then sign the semi-annual certification form and submit to Grants within 5 business days.
5. The receipt of semi-annual certification forms will be tracked.

2018-034 The Department of Children, Youth, and Families did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.575 Child Care and Development Block Grant 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award Number:	G1801WACCDF, G1701WACCDF, G1601WACCDF
Applicable Compliance Component:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Known Questioned Cost Amount:	$5,894

Background

The Department of Children, Youth, and Families (DCYF) (formerly the Department of Early Learning) administers the federal Child Care and Development Fund (CCDF) grant to help eligible working families pay for child care. The Department of Social and Health Services (DSHS) determines client eligibility and pays child care providers under an agreement with DCYF. Providers are paid from both the CCDF grant and the Temporary Assistance for Needy Families grant, and a payment can include funding from both programs.

DCYF is responsible for establishing policies and procedures to ensure payments are allowable. In fiscal year 2018, DCYF made 639,816 monthly child care subsidy payments to child care providers from both the CCDF and TANF grants as well as state funding. These payments totaled almost $267 million in federal funds with over $189 million paid with CCDF funds.

There are three child care provider types: licensed centers; licensed family homes; and family, friends and neighbor providers (FFN). Licensed centers typically operate as larger facilities, whereas licensed family homes are limited to no more than 12 children at a given time. Both centers and homes must adhere to strict licensing requirements established by DCYF and are subject to annual monitoring visits.

FFN providers are exempt from many of the licensing requirements and are not subject to routine onsite monitoring visits. These providers are limited to receiving payment for a maximum of six children in their home at a time.

Authorizations for child care

To be authorized for child care services, parents must be determined to be eligible based on their income, residency and demonstrated need based on their work schedules. Once parents are determined to be eligible, DSHS authorizes service levels. For licensed providers, the service levels are generally either 23 full-day units (up to 10 hours a day) or 30 half-day units (up to five hours a day) when authorizing care for households with more than 110 hours of activity. Care is authorized based on need when approvable activities are less than 110 hours. FFN providers are paid by the hour and authorizations are made for either part-time care (up to 110 hours a month) or full-time care (up to 230 hours a month).

Attendance records

According to state rules, child care providers must maintain attendance records to support their billing. At a minimum, the records must include: the children's names; date(s) child care was provided; and authorized signatures, typically of a parent or guardian, documenting the times the child arrived and left care.

DCYF subsidy auditor reconciliations

Providers are not required to submit attendance records with their monthly requests for payment. DCYF has established a subsidy audit unit that randomly selects prior payments for review. Upon request, providers must submit attendance records and other supporting documentation, which are reconciled to paid invoices.

DCYF subsidy auditors completed 2,454 reconciliations during the audit period and identified 1,358 instances (55 percent) of provider overpayments that totaled $1,037,792. The identified overpayments represented about 17 percent of the total amount of payments reviewed.

The most common reasons DCYF's reconciliations determined overpayments occurred were:

- Providers overbilled because child care was not provided.
- Providers did not submit required attendance records.
- Providers billed for the maximum amount of authorized childcare when they were not permitted to do so.

Prior audit results

In the prior audit, we reported DCYF failed to establish adequate internal controls over and was not compliant with federal requirements to ensure payments to child care providers were allowable. We have reported this condition since 2005. The most recent audit finding numbers were 2017-024, 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12 and 8-13.

Description of Condition

We found DCYF took steps to address the previous findings, but continued to lack adequate internal controls to effectively prevent and detect unallowable payments to child care providers.

We used a statistical sampling method to randomly select and examine 133 payments for child care to determine if they were allowable. We chose child care payments by totals from each of the three provider types: licensed centers, licensed family homes and FFN's. With assistance from DCYF, we requested attendance records from providers that supported the payments. We reviewed each provider's records to determine if the payments were allowed by federal and state regulations, as well as by DCYF's policies.

We found 36 payments funded by the CCDF grant that were partially or fully unallowable. In total, we questioned $5,894 paid by federal CCDF funds.

The reasons the overpayments occurred were:

- Attendance records were not submitted by providers in response to our request
- Providers overbilled for services not performed or not supported by attendance records
- Providers billed for overtime, field trip fees and registration fees when they did not have a written policy in place to also charge these same fees to private paying parents
- Providers were not paid the correct rate based on the child's age and region

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

Cause of Condition

While the authorizations establish a maximum for what providers may bill without further approval, it does not prevent providers from billing for unallowable days, hours or services. The claim and payment system is not linked to authorizations or attendance. Child care providers must maintain attendance records and submit this supporting documentation only when it is requested.

DCYF management asserts the identified internal control weaknesses will improve with the implementation of an electronic time and attendance reporting system. DCYF has implemented an electronic attendance system that maintains electronic copies of attendance records and will potentially reduce provider errors. Licensed providers were required to start using the department's electronic attendance system or an approved third party system beginning December 1, 2018. The new reporting system will enable DCYF to perform data analysis and audit of payments. In addition, new rules and policies for providers have been written, but have not been implemented due to timing of the audit.

Effect of Condition and Questioned Costs

By not having adequate internal controls in place, DCYF increases its risk of making improper payments for child care services.

A statistical sampling method was used to randomly select the payments examined in the audit. Based on the results of our testing, we estimate the total amount of likely improper payments with federal CCDF funds to be $28,176,448. Many of the improper payments were partially funded by state dollars. We found $1,656 of improper state payments, which projects to a likely improper payment amount of $7,915,754. This amount is not included in the federal questioned costs.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 99 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our "best estimate of total questioned costs" as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

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

Recommendations

We recommend DCYF:

- Implement preventative internal controls over payments to providers to reduce the rate of unallowable payments
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

Department's Response

DCYF partially concurs with the SAO findings. The SAO cited that eight providers were not paid the correct rate based on their region. However, as specified in WAC 170-290-0200, centers in four counties are assigned rates for a region other than the region they are geographically located in, in order to account for market differences in these counties. Therefore, while these rates might appear to be incorrect based on the region the provider is geographically located within, the rates were paid correctly. Initially, DCYF agreed with the rate errors cited by SAO. However, after further review DCYF discovered the rates were correct. Due to the timeline of the audit, SAO and DCYF were unable to reverse these exceptions, so DCYF will work with the grantor to have these exceptions removed.

As to the Auditor's specific recommendations, DCYF concurs and offers the following detail:

- *Implement preventative internal controls over payments to providers to reduce the rate of unallowable payments*

    - *Effective December 1, 2018, DCYF requires all licensed providers who accept subsidy to use DCYF's electronic attendance system or an approved third party system to track attendance. DCYF's system enables accurate, real-time recording of child care attendance, tracks daily attendance, and captures data on child care usage. FFN providers are required to use DCYF's system or an approved third party system for tracking attendance by November 30, 2019. DCYF will continue to work to provide the ability to link third party systems to the DCYF's system for reporting capabilities.*

    - *DCYF continues to help providers understand the authorization and billing process. DCYF is improving its billing guides, which explain billing rules and policies, to assist providers to bill correctly. The billing guides will be available in Spring 2019. DCYF is* *updating the billing training available to licensed homes and FFN providers as well. As outlined in the Tentative Agreement with SEIU 925 for 2019-2021, this training will become mandatory for licensed homes and FFN providers. DCYF continues to research options for simplifying authorization and billing.*

- *A provider's use of an electronic attendance system does not prevent the provider from overbilling. However, it will allow a provider to have detailed information regarding a child's attendance to facilitate billing DCYF correctly. The electronic attendance system will produce reports that allow DCYF to conduct automated audits beginning Spring 2019.*

- *In November 2018, DCYF implemented a process that allows subsidy auditors to provide technical assistance to providers whose billing practices DCYF identifies as incorrect. DCYF will continue this practice and implement program violation rules in July 2019. The program violation rules will, among other things, exclude providers with repeat violations from receiving child care subsidy.*

- *As of October 1, 2018, new FFN providers are required to receive DCYF's full Portable Background Check (PBC) and be approved by DCYF as a provider. DCYF creates a vendor number once the provider is approved and the provider's eligibility and vendor number is communicated with DSHS. DSHS must have this vendor number and approval to create an authorization. This separation of duties creates stronger internal controls and reduces the possibility of an ineligible provider receiving an authorization for payment.*

- *Consult with the U.S. Department of Health and Human Services to discuss repaying the questioned costs, including interest*
  - *DCYF consults with the U.S. Department of Health and Human Services whenever the agency receives an audit finding from SAO. This includes conducting a case by case review and providing any additional documentation requested when the audit finding results in questioned costs of federal funds.*

  - *In addition to reviewing audit findings, DCYF has worked collaboratively with the Office of Child Care (OCC) over the past few years to review the child care rules and procedures to ensure we are supporting the expectations under the Child Care Development Fund (CCDF). DCYF rules related to the WCCC continue to be more restrictive than the CCDF rules. This creates more internal control requirements, which can lead to increased errors identified by the SAO. To mitigate this issue, DCYF continues to work with our federal partners to timely update our CCDF plan to reflect current practice.*

  - *DCYF continues to work with OCC to ensure grant spending in accordance with the CCDF federal guidelines related to removing barriers to families obtaining child care and providing continuity of care.*

Auditor's Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit. The Department agreed with all reported exceptions multiple times at the time of the audit. Two of the eight exceptions referred to had noncompliance other than not paying the correct rate based on the child's age and region. The remaining six payments accounted for only $348 of the total questioned costs in the finding. We affirm our finding and will review the status of the Department's corrective action during our next audit.

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

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

Section 200.303 Internal controls, states in part:

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

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

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

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

(5) The circumstances concerning why the auditor's report on compliance for each major program is other than an unmodified opinion, unless such circumstances are otherwise reported audit findings in the schedule of findings and questioned costs for Federal awards.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

WAC 170-290-0268, Payment discrepancies—Provider overpayments, states:

(1) An overpayment occurs when a provider receives payment that is more than the provider is eligible to receive. Provider overpayments are established when that provider:

(a) Bills and receives payment for services not provided;

(b) Bills without attendance records that support their billing;

(c) Bills and receives payment for more than they are eligible to bill;

(d) Routinely provides care in a location other than what was approved at the time of authorization;

(e) With respect to license-exempt in-home/relative providers, commonly known as "family, friends, and neighbor" providers, bills the state for more than six children at one time during the same hours of care; or

(f) With respect to licensed or certified providers:

(i) Bills the state for more than the number of children they have in their licensed capacity; or

(ii) Is caring for a WCCC child outside their licensed allowable age range without a DEL-approved exception; or

(g) With respect to certified providers caring for children in a state bordering Washington:

(i) Is determined not to be in compliance with their state's licensing regulations; or

(ii) Fails to notify DSHS within ten days of any suspension, revocation, or change to their license.

(2) DEL or DSHS will request documentation from a provider when preparing to establish an overpayment. The provider has twenty-eight consecutive calendar days from the date of the written request to supply any requested documentation.

(3) A provider is required to repay any payments which they were not eligible to receive.

(4) Provider overpayments defined in subsection (1) of this section are deemed as program violations as described in WAC 170-290-0277.

(5) A provider is required to repay any overpayment made through a departmental error.

WAC 170-290-0271 Payment discrepancies—Consumer overpayments, states:

(1) DSHS establishes overpayments for past or current consumers when the consumer:

(a) Received benefits in an amount greater than the consumer was eligible to receive;

(b) Is determined eligible at application or reapplication based on the consumer's participation in an approved activity and used benefits, but never participated in said activity;

(c) Failed to report changes under the requirements of WAC 170-290-0031 to DSHS which result in an error in determining eligibility, amount of care authorized, or copayment;
(d) Used a provider who did not meet the eligibility requirements under WAC 170-290-0125;
(e) Received benefits for a child who was not eligible per WAC 170-290-0005, 170-290-0015 or 170-290-0020; or
(f) Failed to return, by the sixtieth day, the requested income verification of new employment as provided in WAC 170-290-0012.

(2) DEL or DSHS may request documentation from a consumer when preparing to establish an overpayment. The consumer has fourteen consecutive calendar days to supply any requested documentation.
(3) Consumers are required to repay any benefits paid by DSHS that they were not eligible to receive.

WAC 170-290-0030 Consumers' responsibilities, states in part:

When a person applies for or receives WCCC benefits, the applicant or consumer must, as a condition of receiving those benefits:
(11) Document their child's attendance in child care by having the consumer or other person authorized by the consumer to take the child to or from the child care:
(a) If the provider uses a paper attendance record, sign the child in on arrival and sign the child out at departure, using their full signature and writing the time of arrival and departure; or
(b) Record the child's attendance using an electronic system if used by the provider;

WAC 170-290-0034 Providers' responsibilities, states:

Child care providers who accept child care subsidies must do the following:
(1) Comply with:
(a) All of the DEL child care licensing or certification requirements as provided in chapter 170-295, 170-296A, or 170-297 WAC, for child care providers who are licensed or certified; or
(b) All of the requirements in WAC 170-290-0130 through 170-290-0167, 170-290-0250, and 170-290-0268, for child care providers who provide in-home/relative care;

(2) Report pending charges or convictions to DSHS as provided in:
(a) Chapter 170-295, 170-296A, or 170-297 WAC, for child care providers who are licensed or certified; or
(b) WAC 170-290-0138 (2) and (3), for child care providers who provide in-home/relative care;

(3) Keep complete and accurate daily attendance records for children in their care, and allow access to DEL to inspect attendance records during all hours in which authorized child care is provided as follows:
(a) Current attendance records (including records from the previous twelve months) must be available immediately for review upon request by DEL.

(b) Attendance records older than twelve months to five years must be provided to DSHS or DEL within two weeks of the date of a written request from either department. Beginning July 1, 2017, or upon ratification of the 2017-19 collective bargaining agreement with SEIU 925, whichever occurs later, the records must be provided within twenty-eight consecutive calendar days of the date of a written request from either department.

(c) Failure to make available attendance records as pro- vided in this subsection may:

(i) Result in the immediate suspension of the provider's subsidy payments; and

(ii) Establish a provider overpayment as provided in WAC 170-290-0268;

(4) Keep receipts for billed field trip/quality enhancement fees as follows:

(a) Receipts from the previous twelve months must be available immediately for review upon request by DEL;

(b) Receipts from one to five years old must be provided to DSHS or DEL within two weeks of the date of a written request from either department;

(5) Allow consumers access to their child at all times while the child is in care;

(6) Collect copayments directly from the consumer or the consumer's third-party payor, and report to DSHS if the consumer has not paid a copayment to the provider within the previous sixty days;

(7) Follow billing procedures:

(a) As described in the most current version of "Child Care Subsidies: A Guide for Licensed and Certified Family Home Child Care Providers,"; or

(b) As described in the most current version of "Child Care Subsidies: A Guide for Family, Friends and Neighbors Child Care Providers"; or

(c) As described in the most current version of "Child Care Subsidies: A Guide for Licensed and Certified Child Care Centers."

(8) Not claim a payment in any month a child has not attended at least one day within the authorization period in that month.

(9) Invoice the state no later than one calendar year after the actual date of service;

(10) For both licensed and certified providers and in- home/relative providers, not charge subsidized families the difference between the provider's customary rate and the maximum allowed state rate; and

(11) For licensed and certified providers, not charge subsidized families for:

(a) Registration fees in excess of what is paid by subsidy program rules;

(b) Absent days on days in which the child is scheduled to attend and authorized for care;

(c) Handling fees to process consumer copayments, child care services payments, or paperwork;

(d) Fees for materials, supplies, or equipment required to meet licensing rules and regulations; or

(e) Child care or fees related to subsidy billing invoices that are in dispute between the provider and the state.

WAC 170-290-0138 In-home/relative providers—Responsibilities, states in part:

An in-home/relative provider must:

(6) Bill only for actual hours of care provided. Those hours:

(a) Must be authorized by DSHS;
(b) Must be used by the consumer; and
(c) Can be claimed whether or not the consumer is present during the hours of care.

(7) Bill for no more than six children at one time during the same hours of care;

(8) Track attendance documenting the days and hours of care provided and keep records for five years:
(a) If paper attendance records are used, the provider must have the consumer sign and date the attendance records at least weekly, verifying the accuracy of the dates and times.
(b) Providers may use an electronic attendance system as provided in WAC 170-290-0139 to record attendance in lieu of a paper sign-in record;

(9) Repay any overpayments under WAC 170-290-0268; and

WAC 170-290-0190 WCCC benefit calculations, states:

(1) The amount of care a consumer may receive is determined by DSHS at application or reapplication. The consumer does not need to be in approved activities or a reported activity schedule, except at application or reapplication. Once the care is authorized, the amount will not be reduced during the eligibility period unless:
(a) The consumer requests the reduction;
(b) The care is for a school-aged child as described in subsection (3) of this section; and
(c) Incorrect information was given at application or reapplication according to WAC 170-290-0030.

(2) To determine the amount of weekly hours of care needed, DSHS will review:
(a) The consumer's participation in approved activities per WAC 170-290-0040, 170-290-0045, 170-290-0050, and 170-290-0055;
(b) The number of hours the child attends school, including home school, and reduce the amount of care;
(c) In a two parent household, the days and times the activities overlap, and only authorize care during those times;
(d) The parent, in a two parent household, who is not able to care for the child, as defined in WAC 170-290-0020, and exclude the activity requirements; and
(e) When a consumer requests and verifies the need for increased care, DSHS will increase the care for the remainder of the eligibility period.

(3) Determining full-time care for a family using licensed providers:
(a) Twenty-three full-day units per month will be authorized for one hundred ten hours of activity or more each month when the child needs care five or more hours per day;
(b) Thirty half-day units per month will be authorized for one hundred ten hours of activity or more each month when the child needs care less than five hours per day;
(c) Thirty half-day units per month will be authorized during the school year for a school-aged child who needs care less than five hours per day;
(d) Forty-six half-day units will be authorized during the months of July and August for a school-aged child who needs five or more hours of care;
(e) Twenty-three full-day units will be authorized during the school year for a school-aged child who needs care five or more hours per day;

(f) Supervisor approval is required for additional days of care that exceeds twenty-three full days or thirty half days; and

(g) Care cannot exceed sixteen hours per day, per child.

(4) Determining full-time care for a family using in-home/relative providers (family, friend and neighbors).

(a) Two hundred thirty hours of care will be authorized for one hundred ten hours of activity or more each month when the child needs care five or more hours per day;

(b) One hundred fifteen hours of care will be authorized for one hundred ten hours of activity or more each month when the child needs care less than five hours per day;

(c) One hundred fifteen hours of care will be authorized during the school year for a school-aged child who needs care less than five hours per day and the provider will be authorized contingency hours each month, up to a maximum of two hundred thirty hours;

(d) Two hundred thirty hours of care will be authorized during the school year for a school-aged child who needs care five or more hours in a day;

(e) Supervisor approval is required for hours of care that exceed two hundred thirty hours; and

(f) Care cannot exceed sixteen hours per day, per child.

(5) Determining part-time care for a family using licensed providers and the activity is less than one hundred ten hours per month.

(a) A full-day unit will be authorized for each day of care that exceeds five hours;

(b) A half-day unit will be authorized for each day of care that is less than five hours; and

(c) A half-day unit will be authorized for each day of care for a school-aged child, not to exceed thirty half days.

(6) Determining part-time care for a family using in- home/relative providers (family, friend and neighbors).

(a) Under the provisions of subsection (2) of this section, DSHS will authorize the number of hours of care needed per month when the activity is less than one hundred ten hours per month; and

(b) When the provider claims contingency hours, the total number of authorized hours and contingency hours claimed cannot exceed two hundred thirty hours per month.

(7) DSHS determines the allocation of hours or units for families with multiple providers based upon the information received from the parent.

(8) DSHS may authorize more than the state rate and up to the provider's private pay rate if:

(a) The parent is a WorkFirst participant; and

(b) Appropriate child care, at the state rate, is not avail- able within a reasonable distance from the approved activity site. "Appropriate" means licensed or certified child care under WAC 170-290-0125, or an approved in-home/relative provider under WAC 170-290-0130. "Reasonable distance" is determined by comparing distances other local families must travel to access appropriate child care.

(9) Other fees DSHS may authorize to a provider are:

(a) Registration fees;

(b) Field trip fees;

(c) Nonstandard hours bonus;

(d) Overtime care to a licensed provider who has a writ- ten policy to charge all families, when care is expected to exceed ten hours in a day; and

(e) Special needs rates for a child.

(10) In-home/relative providers who are paid child care subsidies to care for children receiving WCCC benefits cannot receive those benefits for their own children during the hours in which they provide subsidized child care.

WAC 170-290-0245 Registration fees, states:

(1) DSHS may pay licensed or certified child care providers and DEL contracted seasonal day camps a registration fee when:

(a) A child is first enrolled by the consumer for child care with a provider;

(b) A consumer enrolls their child with a new child care provider during their eligibility period; or

(c) A child has more than a sixty-day break in child care services with the same provider, and it is the provider's policy to charge all parents this fee when there is a break in service.

(2) A registration fee will be paid only once per calendar year for children who are cared for by the same provider, even if the provider receives subsidy payments under different subsidy programs during this time period for the enrolled children, unless there is a break of sixty days or more as provided in subsection (1)(c) of this section.

WAC 170-290-0247 Field trip/quality enhancement fees, states:

(1) DSHS pays licensed or certified family home child care providers a monthly field trip/quality enhancement fee up to thirty dollars per child or the provider's actual cost for the field trip, whichever is less, only if the fee is required of all parents whose children are in the provider's care. DEL-licensed or certified child care centers and school-age centers are not eligible to receive the field trip/quality enhancement fee.

(2) The field trip/quality enhancement fee is to cover the provider's actual expenses for:

(a) Admission;

(b) Enrichment programs and/or ongoing lessons;

(c) Public transportation or mileage reimbursement at the state office of financial management rate for the use of a private vehicle;

(d) The cost of hiring a nonemployee to provide an activity at the child care site in-house field trip activity; and

(e) The purchase or development of a prekindergarten curriculum.

(3) The field trip/quality enhancement fee shall not cover fees or admission costs for adults on field trips, or food purchased on field trips.

WAC 170-290-0249 Nonstandard hours bonus, states:

(1) A consumer's provider may receive a nonstandard hours bonus (NSHB) payment of seventy-five dollars per child per month for care provided if:

(a) The provider is licensed or certified;

(b) The provider provides at least thirty hours of non- standard hours care during one month; and

(c) The total cost of the NSHB to the state does not exceed the amount appropriated for this purpose by the legislature for the current state fiscal year.

(2) Nonstandard hours are defined as:

(a) Before 6 a.m. or after 6 p.m.;

(b) Any hours on Saturdays and Sundays; and

(c) Any hours on legal holidays, as defined in RCW 1.16.050.

2018-035 **The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.575	Child Care and Development Block Grant
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award Number:	G1801WACCDF, G1701WACCDF, G1601WACCDF	
Applicable Compliance Component:	Special Tests and Provisions – Health and Safety Requirements	
Known Questioned Cost Amount:	$1,678	

Background

The Department of Children, Youth, and Families (DCYF), formerly the Department of Early Learning, administers the federal Child Care and Development Fund (CCDF) grant to help eligible working families pay for childcare. Although DCYF is the lead agency for the CCDF program, the Department of Social and Health Services (DSHS) has responsibility over certain health and safety requirements under an agreement with DCYF.

In fiscal year 2018, the agencies paid about $189 million in CCDF federal funding to childcare providers. DCYF is responsible for ensuring providers meet licensing standards, which includes ensuring background checks are performed for all staff with direct access to children.

Provider inspections

DCYF conducts annual, unannounced inspections of licensed providers to verify if required health and safety standards are being met and requires providers to address any identified issues. DCYF licensors document inspections using a monitoring checklist. If a provider has no recent complaints or identified noncompliance, and has received a full checklist review in the past three years, an abbreviated checklist may be used. Otherwise, the licensor must use a full review checklist.

When health and safety infractions are identified, licensors document them on a Facility Licensing Compliance Agreement (FLCA). The FLCA identifies the areas of provider noncompliance and establishes deadlines for correcting them. Providers must submit a corrective action plan or resolution activity to their licensor.

If an inspection was attempted, but the provider was not present, the licensor must follow up and conduct the inspection within 30 days of the due date. If after the licensor follow up DCYF is still unable to schedule another inspection, the licensor consults with their supervisor for a decision on conducting any further inspection attempts.

Common examples of noncompliance identified by licensors are:

- Providers that exceed the required staff-to-child ratios
- Providers that did not maintain accurate or complete attendance logs
- Providers missing training or certification requirements
- Health and safety hazards

When serious health and safety violations are identified, licensors must conduct an unannounced re-check of the facility within 10 business days. Less serious non-compliance issues must be addressed within 30 days. If the provider does not resolve a noncompliance issue, DCYF may impose sanctions, issue fines, or suspend or revoke the provider's license.

In June 2017, DCYF replaced its current system with a new electronic system (WA Compass) to allow licensing staff to make more timely updates and streamline their process for performing monitoring visits.

Background checks

DSHS ensures Family, Friends, & Neighbors (FFNs) providers, which are exempt from licensing requirements, pass background checks before becoming providers, and at least every two years or when there is a 30-day break in service in providing care.

Registered sex offender cross match

As part of the monitoring process, DSHS will perform a cross match to identify any in-home or FFN providers that have a registered sex offender living in the home where care is provided. The cases that involve in-home providers are investigated by DCYF, and the cases that involve FFNs are investigated by DSHS. If it is determined that a registered sex offender is in the home, the provider is permanently disqualified from providing care.

In prior audits, we reported DCYF did not have adequate internal controls over and did not comply with health and safety requirements. The prior finding numbers were 2017-025, 2016-022 and 2015-024.

Description of Condition

We found DCYF did not have adequate internal controls over and did not comply with requirements to ensure providers met health and safety requirements.

Provider inspections

In state fiscal year 2018, DCYF regulated 4,538 licensed providers. DCYF staff informed us that 1,073 (24 percent) of all licensed providers were overdue on their yearly inspections.

We used a statistical sampling method to randomly select and examine records for 58 licensed providers who received federal CCDF payments during state fiscal year 2018 to determine if inspections were conducted as required. We found:

- Two (3 percent) inspections were overdue and not conducted by June 30, 2018.
- Ten (17 percent) inspections were performed late by up to nine months.

We reviewed the provider's prior visit history to determine if the licensor used the appropriate monitoring checklist. We found nine instances (16 percent) when licensors did not use the full inspection checklist as required.

We examined DCYF's response to serious violations documented during inspections and found 12 instances (21 percent) when there was not sufficient documentation to show follow-up was performed adequately, or promptly for violations of health, safety or well-being of children. Some examples of these serious violations were:

- General health and safety hazards to the children
- Lack of background check documentation
- Inadequate supervision of children

We also found circumstances that required a follow-up visit, but for which licensors accepted and relied on provider attestations in their FLCA in place of the onsite inspections to resolve issues.

Additionally, during our testing of childcare subsidy payments to childcare providers, we randomly selected and examined 133 payments to determine if they were allowable. We reviewed attendance records to determine if they complied with health and safety requirements.

We found:

- Fifty-four of 133 attendance records did not support time billed, were missing parent/guardians' full signatures for sign in/out as applicable or did not respond to our request for records.
- Nine of 60 licensed homes' and FFN providers' attendance records (or lack thereof) did not support that the provider was at or under capacity (fewer than 12 children at one time for a licensed home) or not billing over allowable limits (six CCDF funded children for an FFN).

Background checks

We used a statistical sampling method to randomly select 59 FFN providers to examine whether DSHS performed background checks as required. We found two background checks were not performed before the provider became eligible and received payments for providing care to children.

Registered sex offender cross match

Of the 12 cases that were reviewed by DSHS during fiscal year 2018, DSHS identified one FFN that was providing care to three children while a registered sex offender lived in the home. DSHS immediately stopped services for one child. The other two children were allowed to continue receiving care for nine days totaling $355, when services were then stopped. Although these payments were made outside of our audit period, we used them to confirm that care was provided after the issue was identified. These payments are not included in the known questioned cost amount.

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

Cause of Condition

DCYF said it was unable to complete all licensing visits promptly for the following reasons:

- Transition to a new licensing management system
- Turnover of licensing staff
- It was in the process of transitioning to a new set of aligned licensing standards scheduled to go into effect in the fall of 2019. DCYF acknowledged that rules in effect during the audit period were less conducive to timely completion of licensing visits.
- Some providers refused the licensor access

Management did not effectively monitor to ensure licensors completed required monitoring and follow-up visits promptly.

DSHS said that Washington Administrative Code require 10 days' notice be given when closing a provider. However, one child's authorization was closed immediately while the second family was given the 10-day notice.

Effect of Condition and Questioned Costs

Provider inspections

When inspections are not conducted, or are conducted late, health and safety violations are less likely to be detected by DCYF promptly, if at all.

Further, we found that four inspection records (7 percent) we reviewed identified noncompliance with a health or safety issue that had also been identified as noncompliant in the prior inspection. While those cases were not ones in which DCYF also failed to conduct timely visits, they illustrate the importance of timeliness in addressing repeat issues. By not following up on violations promptly, the DCYF cannot be sure these issues have been corrected. Health and safety, background check and over-capacity/over-ratio violations might put children in jeopardy for harm, neglect, and unhealthy emotional and cognitive development environments.

Background checks

The two providers who were determined to be eligible and received payments before their background checks were approved received $1,678 in improper payments with federal funds. Because a statistical sampling method was used to select the providers examined, we estimate the amount of likely federal improper payments to be $214,660. Additionally, the providers were improperly paid $32 in state funds, and we estimate likely state funded improper payments of $4,096.

Registered sex offender cross match

DSHS allowed two children to receive care for nine days in a home where a registered sex offender lived. Although the Department is not required to license or routinely monitor FFN providers, both Departments put two children at risk for harm and neglect when they did not immediately stop care.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our "best estimate of total questioned costs" as required by 2 CFR 200.516(3).

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

Recommendations

We recommend the Departments:

- Ensure management follows policy and procedures to ensure all visits are performed on time and in compliance with regulations
- Ensure aligned licensing standards are implemented promptly and that staff follow them
- Ensure staff sufficiently document the results of follow-up visits when serious violations are identified
- Ensure providers are not approved to provide care until all required background checks have been completed
- Ensure care is immediately stopped when it is determined a registered sex offender is living in a home that is providing childcare for children that do not reside in the home
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

Department's Response

The Department concurs with this finding and is strongly committed to ensuring the health, safety, and well-being of all children in licensed child care.

As to the Auditor's specific recommendations, DCYF concurs and offers the following detail:

- *Ensure management follows policy and procedures to ensure all visits are performed on time and in compliance with regulations and ensure aligned licensing standards are implemented promptly and that staff follow them*
  - *DCYF has implemented new monitoring and compliance agreement policies and procedures to clarify language for the use of a full checklist every three years, to clarify*

when a site visit is needed, what methods of verifying compliance can be used, and the timelines for documentation. The Department has trained all child care licensing staff regarding these requirements.
   - *DCYF continues to revise all licensing policies, procedures, and tasks to ensure they align with current state and federal rules and regulations. As DCYF moves toward the alignment of Family Home and Child Care Center licensing rules in Washington Administrative Code (WAC), the policies are being reviewed and revised as necessary to assure that they remain aligned with current state and federal rules and regulations and that all staff are trained prior to implementation of the updated WAC in August 2019.*
   - *DCYF is currently in the process of preparing for the implementation of the aligned Family Home and Child Care Center WAC to be effective August 1, 2019. This alignment process is in response to the demands of the legislature and to the needs of the provider community. In preparation for this implementation, all child care licensing staff are completing mandatory training on the updated WAC components and how policies, procedures, and tasks will change as a result of the updated standards. New checklists, which will allow for more focused monitoring, will be introduced with the aligned WAC. In addition, an inspection report will be generated which will more clearly delineate the areas of high risk that need a follow up visit.*

- *Ensure staff sufficiently document the results of follow-up visits when serious violations are identified*
   - *DCYF has implemented a new IT system, WA COMPASS, for use by licensing staff in managing and conducting licensing inspections including monitor visits. This system has improved data integrity, streamlined staff work processes, and provides electronic reminders to licensing staff and supervisors. In future enhancements to the system, a method to monitor due dates for follow up visits on health and safety issues is anticipated. During the interim, licensing staff and supervisors have been trained on the requirements to document the results of follow up visits in a timely manner. Supervisors are currently able to run a report to see if dates are missed so they can address those concerns with licensing staff.*

- *Ensure providers are not approved to provide care until all required background checks have been completed*
   - *As of October 1, 2018, new FFN providers are required to receive DCYF's full Portable Background Check (PBC) and be approved by DCYF as a provider. DCYF creates a vendor number once the provider is approved and the provider's eligibility and vendor number is communicated with DSHS. DSHS must have this vendor number and approval to create an authorization.*

- *Ensure care is immediately stopped when it is determined a registered sex offender is living in a home that is providing childcare for children that do not reside in the home*
   - *DCYF has clarified and implemented a policy revision to allow for termination without notice to providers when there is an unsafe environment or when a provider becomes ineligible. The Department is also working on updating the WAC language that covers these situations. DSHS has provided updated training to staff on CCDF policies.*

- *Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid*
    - *If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action*

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

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

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

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

(5) The circumstances concerning why the auditor's report on compliance for each major program is other than an unmodified opinion, unless such circumstances are otherwise reported audit findings in the schedule of findings and questioned costs for Federal awards.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
Material weakness in internal control over compliance. A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.
Probable. The future event or events are likely to occur.

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

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

45 Code of Federal Regulations section 98.40 Compliance with applicable State and local regulatory requirements, states:

(a) Lead Agencies shall:

(1) Certify that they have in effect licensing requirements applicable to child care services provided within the area served by the Lead Agency;

(2) Provide a detailed description of the requirements under paragraph (a)(1) of this section and of how they are effectively enforced.

(b) (1) This section does not prohibit a Lead Agency from imposing more stringent standards and licensing or regulatory requirements on child care providers of services for which assistance is provided under the CCDF than the standards or requirements imposed on other child care providers.

(2) Any such additional requirements shall be consistent with the safeguards for parental choice in § 98.30(f).

45 Code of Federal Regulations section 98.41 Health and safety requirements, states:

(a) Although the Act specifically states it does not require the establishment of any new or additional requirements if existing requirements comply with the requirements of the statute, each Lead Agency shall certify that there are in effect, within the State (or other area served by the Lead Agency), under State, local or tribal law, requirements designed to protect the health and safety of children that are applicable to child care providers of services for which assistance is provided under this part. Such requirements shall include:

(1) The prevention and control of infectious diseases (including immunizations). With respect to immunizations, the following provisions apply:

(i) As part of their health and safety provisions in this area, States and Territories shall assure that children receiving services under the CCDF are age-appropriately immunized. Those health and safety provisions shall incorporate (by reference or otherwise) the latest recommendation for childhood immunizations of the respective State or territorial public health agency.

(ii) Notwithstanding paragraph (a)(1)(i) of this section, Lead Agencies may exempt:

(A) Children who are cared for by relatives (defined as grandparents, great grandparents, siblings (if living in a separate residence), aunts, and uncles);

(B) Children who receive care in their own homes;

(C) Children whose parents object to immunization on religious grounds; and

(D) Children whose medical condition contraindicates immunization;

(iii) Lead Agencies shall establish a grace period in which children can receive services while families are taking the necessary actions to comply with the immunization requirements;

(2) Building and physical premises safety; and

(3) Minimum health and safety training appropriate to the provider setting.

(b) Lead Agencies may not set health and safety standards and requirements under paragraph (a) of this section that are inconsistent with the parental choice safeguards in § 98.30(f).

(c) The requirements in paragraph (a) of this section shall apply to all providers of child care services for which assistance is provided under this part, within the area served by the Lead Agency, except the relatives specified in paragraph (e) of this section.

(d) Each Lead Agency shall certify that procedures are in effect to ensure that child care providers of services for which assistance is provided under this part, within the area served by the Lead Agency, comply with all applicable State, local, or tribal health and safety requirements described in paragraph (a) of this section.

(e) For the purposes of this section, the term "child care providers" does not include grandparents, great grandparents, siblings (if such providers live in a separate residence), aunts, or uncles, pursuant to § 98.2.

We identified the following Washington Administrative Codes relevant to Health and Safety:

- WAC 170-290-0034 Provider's Responsibilities
- WAC 170-290-0143 In-home/relative providers—Background checks—Required persons
- WAC 170-290-0138 In-home/relative providers – Responsibilities
- WAC 170-290-0160 In-home/relative providers – Background checks – Disqualified Providers
- WAC 170-290-0268 Payment discrepancies – Provider overpayments
- WAC 170-295-0030 Eligibility to receive state child care subsidies
- WAC 170-295-7030 Attendance records
- WAC 170-296A-1050 The licensee
- WAC 170-296A-1075 Child care subsidy
- WAC 170-296A-1410 Department inspection
- WAC 170-296A-8000 Facility licensing compliance agreements
- WAC 170-296A-8025 Time period for correcting a violation
- WAC 170-296A-8175 Violations—Enforcement action
- WAC 170-297-1410 Department inspection
- WAC 170-297-8000 Facility licensing compliance agreements
- WAC 170-297-8025 Time period for correcting a violation
- WAC 170-297-8175 Violations—Enforcement action

The Department of Early Learning Child Care Licensing Policies and Procedures, 10.1.8 Monitoring Visits Procedure, states in part:

2. A full checklist (10.9.3.5 Family Home Checklist, 10.9.4.6 Child Care Center Checklist, or 10.9.4.11 SA Checklist) must be used at least once every 3 years effective January 1, 2016. When the file is up for the three year review this must be verified and/or completed.

5. Monitoring visits must be unannounced, unless approved by a supervisor. If children are not in care, the monitoring visit can be conducted with the expectation that the licensor will return within 30 days to observe the program with children present. If children are not in care during the follow-up visit, the licensor must consult with their supervisor for a decision on conducting further visits.
6. If the licensee is temporarily closed a visit must not be conducted. This visit must be documented as "Attempted" in the provider notes.
7. Attempted visits must be followed up and conducted within 30 calendar days. If a follow-up visit cannot be conducted, the licensor must consult with their supervisor for a decision on conducting any further visits.
8. A family home child care, child care center and school age program monitor visit must occur every 12 months – within 90 days prior to the yearly due date. The Monitoring Visit is considered late if it occurs after the yearly due dates. For example, if the last visit occurred on January 1, 2008, the next monitoring visit must occur within 90 days of January 1, 2009.
11. The licensor and licensee or child care staff will complete a compliance agreement to address any violation of WAC or RCW. See "10.1.3 Compliance Agreement" procedure.

The Department of Early Learning Child Care Licensing Policies and Procedures, 10.1.3 Compliance Agreement Procedure, states in part:

Completing the Facility Licensing Compliance Agreement (FLCA)

1. The licensor must use 10.9.1.1 Compliance Agreement form in ELF to record noncompliance issues. If the technology equipment is not working, then the licensor will use the hardcopy 10.9.1.1 Compliance Agreement form.
8. If there is an immediate health and safety issue, the noncompliance issue will be corrected immediately or as soon as possible. Verification of compliance should be completed within 10 business days and follow the process under Compliance Agreement Follow-up section below.

Compliance Agreement Follow-up

1. The licensor must monitor the completion of the compliance agreement.
2. The licensor must verify within 10 business days the correction of licensing noncompliance issues that could impact the health, safety and well-being of children in care. The verification must be documented in FamLink using the health and safety recheck code. Allowable verification is as follows:
    a. Health and Safety recheck – An on-site visit is required if the noncompliance issue is a serious health and safety violation which may include but is not limited to:
        i. Health and safety hazards
        ii. Behavior management
        iii. Supervision
        iv. Staff/child interaction
        v. Group size/capacity
        vi. Medication management
        vii. Safe Sleep
        viii. Window blind cords that form a loop

b. Acceptable use of photographic or email verification may include but is not limited to:

i. Environmental changes

ii. Indoor/outdoor equipment

3. The licensor must request supervisor approval if they are unable to meet the 10 business day requirement. The supervisor must approve or deny the request and document the decision in FamLink provider notes.

4. If the noncompliance issues do not immediately impact the health, safety, and well-being of children in care, written verification in lieu of a site visit may be used to verify correction of noncompliance. Examples may include but are not limited to:

a. Menu posting

b. Documentation of activity program

c. Supplies verified with receipt

d. Changes to parent communication

e. Staff development and training records

f. Attendance logs

g. Health Care Plan

h. Fire Drill record

2018-036 **The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to detect fraud in the Child Care and Development Fund program.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.575	Child Care and Development Block Grant
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award Number:	G1801WACCDF; G1701WACCDF; G1601WACCDF	
Applicable Compliance Component:	Special Test – Fraud Detection and Repayment	
Known Questioned Cost Amount:	None	

Background

The federal Child Care and Development Fund (CCDF) grant helps eligible working families pay for child care. In fiscal year 2018, Washington childcare providers were paid about $189 million in federal grant funds. Although the Department of Children, Youth and Family (DCYF) (formerly the Department of Early Learning) is the lead agency for the CCDF program, the Department of Social and Health Services' (DSHS) Office of Fraud and Accountability (OFA) has the statutory authority to conduct investigations related to allegations of fraud in the CCDF program. State law requires DCYF to refer suspected incidents of child care subsidy fraud to OFA for appropriate investigation and action.

Both DCYF and DSHS accept reports of suspected fraud online, by mail, phone or fax. Staff from either agency can report suspected fraud through internal systems or to a hotline.

When DSHS receives a report of suspected fraud in a program it oversees, it runs the report through an automated process in its Barcode system to assess the level of potential fraud risk. The process considers which social service programs the client is receiving benefits from, the total benefits (dollars) being received by the client, whether the client has come up on prior reports and the client's overpayment history. These factors are all assigned point values that vary based on the client's particular case. These point values are summed and, based on this total, the suspected fraud is rated from 1 to 5, with 1 being the highest risk level. Once the report is rated, it is received by OFA, which may assign it to an investigator for review. In April 2018, DSHS amended its process to include the amount of CCDF benefits received and the number of children in the home. Previously, this information was not considered by DSHS when assessing risk of suspected fraud reports

OFA supervisors attempt to assign all reports rated as 1 or 2 and then work their way down to lower-rated reports. In February 2018, the OFA Director issued a directive to managers that all reports rated as 1 or 2 should be assigned within 90 days of the case being referred. OFA management explained that some reports are not assigned to investigators because of workload capacity. No matter what priority level is assessed, if a report is not assigned to an investigator within the first 90 days, it is "aged out" and sent back to DSHS program staff. Program staff review the original reported information and decide whether to send the case back through the automated process to be reassessed, or dismiss the fraud report. In fiscal year 2018, OFA received 2,076 child care fraud reports. Of those, 705 reports (34 percent) aged out of the system.

If an OFA investigation concludes that potential fraud occurred, the results are sent to a local prosecuting attorney's office or United States attorney's office. If a court responds with the legal determination of fraud, the case is forwarded to the Office of Financial Recovery at DSHS, so that an overpayment can be recovered from the client.

In the previous three audits, we reported that DCYF and DSHS lacked adequate internal controls over the identification and detection of child care fraud. The prior finding numbers were 2017-027, 2016-020 and 2015-025.

Description of Condition

We found DSHS did not adequately identify suspected CCDF frauds. DSHS did not update the automated process it used to prioritize fraud reports to include CCDF benefit payments until April 2018 – nine months into the audit period. Before then, the process of assigning point values incorporated only the dollar value of some of the other program benefits, but not CCDF.

The consideration of the CCDF dollar amounts, as well as the number of children in the home, increased the assigned point values, and therefore the risk level of fraud reports for the CCDF program. The increased point value would mean that staff would be required to review these cases.
When comparing the new automated process to the old process, we found 52 of the 80 possible point values (65 percent) for reports scored as level 3 or 4 would have increased to a level 1 or 2 and would therefore be considered a high-priority case for review. This means that for nine months, DSHS was not adequately identifying potential CCDF frauds. Many of the 705 cases that aged out during this period should have been rated as a 1 or 2 and reviewed as high priority cases.

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

Cause of Condition

Reprogramming its automated process took DSHS longer than it expected.

Effect of Condition

By not considering the amount of child care dollars at risk in its automated assessment process for nine months of the year, the Department was at risk of not detecting fraudulent billing activities and not complying with the grant requirement to identify and report CCDF fraud. Non-compliance with grant requirements could potentially disqualify the state from receiving future federal funding.

Recommendation

We recommend DSHS:

- Continue to incorporate child care dollars at risk as a factor when determining the priority of investigating a fraud referral
- Monitor staff to ensure the highest priority level cases (1 and 2) are assigned within 90 days

Department's Response

The Department concurs with the audit finding.

DSHS implemented the fraud scoring system in 2012 using lean techniques. In June 2015, SAO examined the scoring system as part of the Prioritizing Fraud Investigations at the Department of Social and Health Services' Office of Fraud and Accountability performance audit. The SAO audit stated the tool was working as designed, in 2015, to prioritize a workload that was not capable of being worked as a whole, due to the lack of sufficient staffing.

During April 2018, in response to the SFY17 audit, the Department incorporated SAO's recommendations to include child care dollars as a risk factor in determining the priority of fraud referral investigations.

The Department has had a long standing practice of managers assigning cases based off the priority level, starting with the highest priority cases. The Department maintains a goal of completing as many of the highest risk of fraud cases as staffing and workload allows. The Office of Fraud and Accountability (OFA) reports out on this performance measurement monthly and it is reviewed monthly with management.

Additionally, during February 2018, the OFA Senior Director issued a directive to managers that all reports rated as a 1 or 2 should be assigned within 90 days of the case being referred. OFA Managers continue to monitor the monthly status of all FRED cases, included that all cases scored 1 or 2 are assigned out timely.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

Section 200.516 Audit findings, states in part:

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

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.
Probable. The future event or events are likely to occur.

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
Material noncompliance. In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

45 Code of Federal Regulations, section 98.60 Availability of funds, states in part:

(i) Lead Agencies shall recover child care payments that are the result of fraud. These payments shall be recovered from the party responsible for committing the fraud.

Revised Code of Washington 43.216.730 Child care subsidy fraud – Referral – Collection of overpayment, states in part:

(1) The department must refer all suspected incidents of child care subsidy fraud to the department of social and health services office of fraud and accountability for appropriate investigation and action.
(2) For the purposes of this section, "fraud" has the definition in RCW 74.04.004.
(3) This section does not limit or preclude the department or the department of social and health services from establishing and collecting overpayments consistent with federal regulation or seek other remedies that may be legally available, including but not limited to criminal investigation or prosecution

2018-037 **The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure it separately identified and reported demonstration project costs.**

Federal Awarding Agency:	Department of Health and Human Services, Administration for Children and Families
Pass-Through Entity:	None
CFDA Number and Title:	93.658 Foster Care – Title IV-E
Federal Award Number:	G-1701WAFOST, G-1801WAFOST
Applicable Compliance Component:	Reporting Special Tests and Provisions – Operation of a Foster Care Demonstration Project
Known Questioned Cost Amount:	None

Background

The federal Title IV-E Foster Care program helps states provide safe and stable out-of-home care for children under the jurisdiction of the state's child welfare agency until the children are returned home, placed with adoptive families or placed in other planned, permanent arrangements. In Washington, the Department of Social and Health Services Children's Administration (Department) is responsible for overseeing and administering the Foster Care program.

The Department has been operating its IV-E Foster Care program under a demonstration project waiver since January 2014. The waiver allows the Department to waive standard eligibility rules for a specified period and allows federal funds to be used more flexibly to operate projects that test innovative approaches to delivering and financing program services. The goal of the demonstration project is to improve the safety, permanency and well-being of the target population while being cost neutral to the federal awarding agency.

The Department's approved demonstration project is the Family Assessment Response program (FAR). The purpose of the FAR program is to reduce the number of children placed in foster care by Child Protective Services (CPS). The FAR program accomplishes this by providing an alternative method for CPS to respond to non-emergent allegations of child-neglect. By using federal funds to reduce the need for foster care placement, the Department will, in theory, reduce the cost of operating its traditional foster care system, and thereby accomplish the project goals while not increasing the net cost of the program.

The Department must operate its regular IV-E foster care program in tandem with the demonstration project while the waiver is in effect. The costs for both programs must be separately identified and reported to the federal grantor each quarter based on whether they were standard IV-E foster care program costs or were only allowable because of the demonstration project waiver. This provides the Department and federal grantor some of the data required to determine the effectiveness of the project.

The Department spent about $125 million in federal grant funds in fiscal year 2018.

As of July 1, 2018, the Legislature created a new state agency that combined the Department's Children's Administration and the Department of Early Learning. The new agency is called the Department of Children, Youth and Families (DCYF) and is now responsible for managing the Foster Care program.

Description of Condition

The Department did not have adequate internal controls over and did not comply with requirements to ensure it separately identified and reported demonstration project costs.

When submitting its quarterly financial reports, the Department did not accurately report the amount it spent on activities that were only allowable with a demonstration project, as required. Instead, the Department reported only those costs that were not allowed to be paid with demonstration funds as traditional foster care spending. All other spending was reported as demonstration project costs. This resulted in the Department improperly reporting a significant amount of traditional foster care costs as demonstration project spending.

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

This condition was not reported in the prior audit.

Cause of Condition

The Department did not have a complete understanding of the requirement for distinct accounting when it began operating under the demonstration project waiver. As a result, the Department designed its accounting system coding to classify costs based on whether they were allowable or unallowable to be paid with demonstration project funds.

Effect of Condition

Because the accounting system does not separately track both cost categories, the Department misreported the amount of expenditures related to the demonstration project to the federal grantor and has likely been doing so since the demonstration project began. Due to this lack of separate accounting, we could not determine how misreported the amounts were.

Recommendation

We recommend the Department:

- Revise its report preparation process and accounting system coding, if necessary, to enable it to separately identify both project cost categories
- Consult with the grantor about whether submitting revised reports from prior years is required

Department's Response

The Department concurs with the finding.

The Department will revise its reporting process in order to accurately identify both categories DCYF has assigned specific Famlink codes for payments and tracking purposes with regard to the Demonstration project.

The Demonstration Project is scheduled to conclude September 30th, 2019.

The Department will work with the grantor if revisions to prior reports are determined to be necessary.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in

relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

Title 2 U.S. Code of Federal Regulations Part 200, Appendix XI, Compliance Supplement 2017, Part 3-Compliance Requirements, states in part:

Section N. Special Tests and Provisions, states in part:

2. Operation of a Foster Care Demonstration Project (Applicable Only for Title IV-E Agencies with ACF Approval to Operate a Foster Care Demonstration Project)

Compliance Requirement – Those Title IV-E agencies that receive approval to operate a foster care demonstration project for a specified period of time must do so in accordance with ACF-approved terms and conditions that define the operational parameters and the waivers granted. The funding for operation of such a project is subject to a cost neutrality limit that is calculated either through an experimental design (involving experimental group cases and either a control or matched comparison group process) or an established capped allocation table for identified populations (including agency-wide) in specific funding categories.

All Title IV-E agencies that operate a foster care demonstration project are also simultaneously continuing to operate the traditional (non-demonstration) foster care program for some portion of the agency's service population and/or funding categories. Operation of a foster care demonstration project, therefore, includes both the continuation of assistance payments and, where applicable, administration or training under the existing approved Title IV-E Plan and provision of project interventions or other waiver-based services for an identified population. Demonstration project operational costs, to the extent that they provide payments, administration or training that is allowable for traditional Title IV-E foster care funding, must be in compliance with all applicable Title IV-E requirements (unless waived) and are subject to separate identification as part of financial reporting. Funding is also available, subject to separate ACF approvals, for the costs of demonstration project developmental and evaluation costs.

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

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
> **Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:
>
> > **Reasonably possible**. The chance of the future event or events occurring is more than remote but less than likely.
> > **Probable**. The future event or events are likely to occur.
>
> **Significant deficiency in internal control over compliance.** A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
> **Material noncompliance**. In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

2018-038 The Department of Social and Health Services improperly charged $798,930 to the federal foster care grant.

Federal Awarding Agency:	Department of Health and Human Services, Administration for Children and Families
Pass-Through Entity:	None
CFDA Number and Title:	93.658 Foster Care – Title IV-E
Federal Award Number:	G-1701WAFOST, G-1801WAFOST
Applicable Compliance Component:	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Known Questioned Cost Amount:	$798,930

Background

The federal Title IV-E Foster Care program helps states provide safe and stable out-of-home care for children under the jurisdiction of the State's child welfare agency until the children are returned home, placed with adoptive families or placed in other planned, permanent arrangements. The program provides funds to reduce the costs of foster care for eligible children, reduce administrative costs to manage the program, and provide training for adults in the Foster Care program, including state agency staff, foster parents and certain private agency staff. In Washington, the Department of Social and Health Services Children's Administration (Department) is responsible for overseeing and administering the Foster Care program.

The Department is responsible for ensuring grant money is used only for costs allowable under the grant and that payments are adequately supported. During fiscal year 2018, the Department spent about $125 million in federal grant funds, with over $32 million paid to foster care service providers.

As of July 1, 2018, the Legislature created a new state agency that combined the Department's Children's Administration and the Department of Early Learning. The new agency is called the Department of Children, Youth and Families (DCYF) and is now responsible for managing the Foster Care program.

In the prior audit, we reported the Department improperly charged costs to the grant. The prior finding number was 2017-028.

Description of Condition

The Department of Social and Health Services improperly charged $798,930 to the federal foster care grant.

As part of the audit, we attempted to reconcile the Department's payment data with its accounting records to ensure our testing population was complete. The accounting records showed the Department paid $32,805,946 in federal funds to providers. However, according to the Department's provider payment system, it spent only $32,008,206 for these services. During the audit, the Department attempted to reconcile the data sets to determine what caused the difference, but was unable to do so. We therefore determined $797,740 of the recorded federal expenditures was not supported.

We used a statistical sampling method to randomly select and examine 59 foster care provider payments from a total population of 120,670 payments, and identified two exceptions.

The first payment in question was a provider payment paid on behalf of a foster child who was determined to need behavioral rehabilitation services (BRS). These services can vary and the Department authorized the child for a high level of services, but did not document the rate at which the provider was to be paid or how that rate was supported. Because the child was eligible for BRS, and therefore entitled to at least the most basic BRS amount, we subtracted the lowest monthly BRS rate from the rate the Department paid and are questioning the rest of the payment. This resulted in known questioned costs of $1,078.

The second payment in question was made to a vendor for visitation services. The authorization for these services expired three months prior to the services being provided. This resulted in known questioned cost of $111.

Federal regulations require the auditor to issue a finding when the known or estimated questioned costs identified in a single audit exceed $25,000. We are issuing this finding because, as stated in the Effect of Condition and Questioned Costs section of this finding, the estimated questioned costs exceed that threshold.

Cause of Condition

The Department said the difference between the accounting record and the payment system resulted from multiple factors. These factors include contract payments made outside of the provider payment system, payment adjustments in its case management system and journal voucher adjustments. However, the Department could not provide documentation to adequately support any of the variance.

The Department did not have any policies or procedures in place to ensure that BRS rates were adequately documented or those vendor billings for visitation services were adequately reviewed to ensure they were allowable.

Effect of Condition and Questioned Costs

A statistical sampling method was used to randomly select the 59 payments examined in the audit. We found $1,190 of improper federal payments. We estimate the amount of likely improper federal payments to be $689,552. The federal payments were matched by state payments, and we found $1,190 of improper state payments as well; we estimate the likely improper state payments to also be $689,552. The amount of likely improper state payments is not included in the federal questioned costs.

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

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our "best estimate of total questioned costs" as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

Recommendations

We recommend the Department:

- Ensure only expenditures supported by the Department's accounting records are charged to the grant
- Ensure charges have been authorized and are adequately supported before paying
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

Department's Response

The Department partially concurs with the finding.

We concur the support for one client's BRS rate was not documented and the service referral for one child to one vendor was expired.

We do not concur that $797,740 of federal expenditures were not supported.

Not all foster care payments are located in SSPS. AFRS is the state's accounting system of record. While AFRS does interface with SSPS, there will always be a difference in the total expenditures, given SSPS is not the only payment mechanism utilized when paying for services.

The Title IV-E difference in expenditures between SSPS and AFRS is the result of multiple factors. These expenditures are paid outside of SSPS, but are recorded in AFRS. These expenditures include:

- *Contractor payments*
- *Updates to SSPS and Famlink*
- *A-19 payments*
- *Recoveries received*
- *Adjustments needed to appropriately claim Title IV-E dollars*

The Department will work with the Department of Health and Human Service if they determine question costs should be repaid.

Auditor's Concluding Remarks

We worked with the Department for more than five months attempting to reconcile the amounts expended and obtain the support for the expenditures. This included requesting any and all documentation, from any source the Department had to support them. The Department did not provide adequate supporting documentation for the $797,740 in question.

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

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

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

  (3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

2018-039 **The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal level of effort requirements for the Adoption Assistance program.**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.659 Adoption Assistance- Title IV-E
Federal Award Number:	G-1701WAADPT; G-1801WAADPT
Applicable Compliance Component:	Level of Effort
Known Questioned Cost Amount:	None

Background

The Department of Social and Health Services' (Department) Children's Administration operates the Adoption Assistance program to provide funding for parents who adopt eligible children with special needs. The program provides financial and medical benefits to qualified children. Adoptive parents can receive a monthly assistance payment from the Department to care for the children, in addition to expenses related to the initial placement of the child in the home such as court fees, payments for medical visits and transportation costs.

The Department spent almost $50 million on Adoption Assistance in fiscal year 2018, with more than $40 million paid to the adoptive parents of eligible children for adoption services.

In October 2010, the federal government implemented a new set of eligibility requirements designed to be less restrictive. These new requirements allowed states to save money by claiming federal reimbursement on previously unallowable services.

In conjunction with the new eligibility requirements came a new regulation that required the states to:

- Calculate the amount saved, if any
- Spend those savings on social services outlined under titles IV-B or IV-E of the Social Security Act, while ensuring they spent no less than 30 percent of any such savings on post-adoption services, post-guardianship services, and services to support and sustain positive permanent outcomes for children who might otherwise enter the State foster care program. At least two-thirds of that amount must be spent on post-adoption and post-guardianship services. Maintaining this state-spending at the appropriate level is referred to as level of effort.
- Accurately report savings and expenditures to the grantor

In the previous two audits, we reported the Department did not have adequate internal controls over and did not comply with federal level-of-effort requirements for the Adoption Assistance program. The prior finding numbers were 2017-030 and 2016-026.

As of July 1, 2018, the Legislature created a new state agency that combined the Department's Children's Administration and the Department of Early Learning. The new agency is called the

Department of Children, Youth and Families (DCYF) and is now responsible for managing the Adoption Assistance program.

Description of Condition

The Department did not have adequate internal controls over and did not comply with federal level-of-effort requirements. Specifically, the Department misreported its adoption-savings expenditures to the federal grantor.

Using accounting records, we verified the Department's adoption savings during the audit period was $1,036,200. Instead of reporting the amount of the savings that was actually spent, the Department reported $310,860, which was its adoption savings multiplied by 30 percent. We asked the Department to provide records showing the actual amount of adoption savings it spent that should have been reported, but no records were provided.

We consider these internal control weaknesses to constitute a material weakness

Cause of Condition

The adoption savings expenditure figure was misreported because the preparer of the level-of-effort report did not understand the reporting requirement and the Department's review did not detect the error before submission.

Additionally, the Department did not establish written policies and procedures instructing staff on how to identify and report adoption saving expenditures.

Effect of Condition

Because the Department did not comply with the federal level-of-effort requirement, the grantor did not receive accurate information about the Adoption Support program.

Recommendations

We recommend the Department:

- Establish written policies and procedures specifying how to identify and report adoption savings expenditures
- Review level-of-effort reports to ensure the expenditures reported to the grantor have been accurately determined and are adequately supported

Department's Response

The Children's Administration concurs with the finding.

We will establish written procedures for staff to identify and accurately report adoption savings expenditures. The written procedures will include quarterly reports to ensure adequate support for reported expenditures.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

> Section 200.303 Internal controls, states in part:
>
> The non-Federal entity must:
>
> (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
>
> (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
>
> (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
>
> Section 200.516 Audit findings, states in part:
>
> (a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
>
> (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
>
> (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose

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

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

42 U.S. Code § 673 – Adoption and guardianship assistance program states, in part:

(a) Agreements with Adoptive Parents of Children with Special Needs; State Payments; Qualifying Children; Amount of Payments; Changes in Circumstances; Placement Period Prior to Adoption; Nonrecurring Adoption Expenses

(8)

(A) A State shall calculate the savings (if any) resulting from the application of paragraph (2)(A)(ii) to all applicable children for a fiscal year, using a methodology specified by the Secretary or an alternate methodology proposed by the State and approved by the Secretary.

(B) A State shall annually report to the Secretary—

(i) the methodology used to make the calculation described in subparagraph (A), without regard to whether any savings are found;

(ii) the amount of any savings referred to in subparagraph (A); and

(iii) how any such savings are spent, accounting for and reporting the spending separately from any other spending reported to the Secretary under part B or this part.

(C) The Secretary shall make all information reported pursuant to subparagraph (B) available on the website of the Department of Health and Human Services in a location easily accessible to the public.

(D)

(i) A State shall spend an amount equal to the amount of the savings (if any) in State expenditures under this part resulting from the application of paragraph (2)(A)(ii) to all applicable children for a fiscal year, to provide to children of families any service that may be provided under part B or this part. A State shall spend not less than 30 percent of any such savings on post-adoption services, post-guardianship services, and services to support and sustain positive permanent outcomes for children who otherwise might enter into foster care under the responsibility of the State, with at least ⅔ of the spending by the State to comply with such 30 percent requirement being spent on post-adoption and post-guardianship services.

(ii) Any State spending required under clause (i) shall be used to supplement, and not supplant, any Federal or non-Federal funds used to provide any service under part B or this part.

2018-040 **The Department of Health did not have adequate internal controls to ensure it complied with survey requirements for Medicaid hospitals and home health agencies.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Special Tests and Provisions – Provider Health and Safety Standards	
Known Questioned Cost Amount:	None	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

The state Medicaid program spent about $17.3 million to certify health care providers, including hospitals, home health agencies, intermediate care facilities and nursing facilities in fiscal year 2018. Of this amount, the Department of Health (Department) spent about $1.8 million certifying acute care, critical access and psychiatric hospitals, as well as home health agencies. The State had 39 hospitals and 60 home health agencies that were Medicare and/or Medicaid certified.

The Department is responsible for certifying and surveying all hospitals and home health agencies with a non-deemed status, meaning the facilities are not subject to certification from an outside accrediting organization. Instead, the Department performs surveys to ensure the facilities meet minimum health and safety requirements and communicates the results to the Centers for Medicare and Medicaid Services.

The survey for certifying a facility is a patient-centered inspection that gathers information about the quality of service furnished in a facility to determine compliance with the requirements for participation. The survey focuses on the facility's administration and patient services. The survey also assesses compliance with federal health, safety and quality standards designed to ensure patients receive safe and quality care services.

Federal law requires home health agencies to receive a federal certification survey at least every 36 months, while the minimum federal requirement for hospitals is every 60 months. In addition, federal rule requires that if a survey uncovers deficiencies, the Department must mail a Statement of Deficiency to the facility within 10 working days of the survey exit date. The facility must then submit a Plan of Correction that the Department determines is acceptable within 60 calendar days of receipt, or risk forfeiting its Medicaid certification.

Description of Condition

The Department did not have adequate internal controls to ensure it complied with survey requirements for Medicaid hospitals and home health agencies.

We examined survey documentation for all 18 hospital certification surveys and 15 home health agency certification surveys completed during the audit period. We found two instances (6 percent) when the Department did not mail Statements of Deficiencies within 10 working days as required. One of these cases was a hospital survey, and the second was a home health agency survey.

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

This condition was not reported in the prior audit.

Cause of Condition

The Department uses the Integrated Licensing Reporting System (ILRS) to track Statements of Deficiency from draft to final submission, as well as the status of hospital and home health agency Plans of Correction. Survey management did not closely monitor the activity within this system to identify the surveys with Statements of Deficiencies taking more than 10 working days to finalize and submit to the facilities. In addition, the ILRS system does not alert management when 10 working days have passed before a Statement of Deficiencies is sent to the facility.

Effect of Condition

While the Department communicates preliminary deficiencies to both hospitals and home health agencies during an exit conference at the conclusion of the onsite survey, when the Department does not send Statements of Deficiencies within 10 working days as required by CMS, the facility does not receive their formal statement of deficiencies and this may delay the development and submission of an acceptable Plan of Correction. In the event the Department is required to follow up on the deficiencies, this may delay the process.

Recommendation

We recommend the Department strengthen internal controls to ensure Statements of Deficiencies are submitted within 10 working days after completing the initial survey.

Department's Response

Thank you for making us aware of this issue. We concur with the recommendations.

As a standard practice, and a general policy of CMS, the Department provides an overview of the deficiencies during an "exit conference" at the conclusion of the onsite survey. The purpose of the exit conference is to informally communicate preliminary survey team findings and provide an opportunity for the interchange of information, especially if there are differences of opinion. It informs the facility of any issues prior to receiving the SOD and helps to promote timely remediation of quality of care or safety problems.

One of the surveys completed was an out of the ordinary survey where it was necessary to correspond back and forth with CMS in the completion of the survey that resulted in an unintended delay in issuing the statement of deficiencies (SOD). We did not obtain written verification from CMS confirming the late issuance of the SOD. In the future, we will ensure we obtain written verification when we anticipate that a SOD may be issued late.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

Section 200.516 Audit findings, states in part:

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

relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

Centers for Medicare and Medicaid Services, State Operations Manual, Chapter 2 – The Certification Process, states in part:

2728 – Statement of Deficiencies and Plan of Correction, Form CMS-2567

The SA mails the provider/supplier a copy of Form CMS-2567 within 10 working days after the survey. If there are deficiencies, the SA allows the provider/supplier 10 calendar days to complete and return the PoC.

2018-041 **The Health Care Authority did not have adequate internal controls over and did not comply with a state law requirement to perform semi-annual data sharing with health insurers.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Allowable Costs/Cost Principles	
Questioned Cost Amount:	None	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $13.2 billion in federal and State funds during fiscal year 2018.

It is common for Medicaid beneficiaries to have one or more additional sources of coverage for healthcare services. Third-party liability refers to the legal obligation of third parties, such as insurance companies, to pay part or all of the expenditures for medical assistance furnished under a Medicaid state plan. By law, Medicaid is the "payer of last resort," meaning all other available third-party resources must meet their legal obligation to pay claims before the Medicaid program pays for the care of an individual eligible for Medicaid.

The federal Deficit Reduction Act of 2005 (Act) requires health insurers to give states eligibility and coverage information that will enable Medicaid agencies to determine whether clients have third-party coverage. As a condition of receiving federal Medicaid funding, the Act directed states to enact laws requiring health insurers doing business in their state to provide the eligibility and coverage information necessary to determine whether Medicaid clients have third-party coverage.

To comply with this requirement, in 2007 the Legislature passed Revised Code of Washington (RCW) 74.09A, which requires the Health Care Authority (Authority) to provide Medicaid client eligibility and coverage information to health insurers. As a condition of doing business with the state, the insurers must use that information to identify Medicaid clients with third-party coverage and provide those results to the Authority. The law requires the exchange of data to occur at least twice a year. The Authority must focus its implementation of the law on those health insurers with the highest probability of joint beneficiaries.

In January 2015, the U.S. Government Accountability Office (GAO) published audit report GAO-15-208, *Additional Federal Action Needed to Further Improve Third-Party Liability Efforts* for the Medicaid program. GAO also found states commonly face challenges with their third-party liability efforts, such as health insurers refusing the provider coverage information or denying liability for procedural reasons.

Since 2008, we have reported findings regarding lack of internal controls over and noncompliance with state law. Prior audit finding numbers were 2017-031, 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19 and 08-25.

Description of Condition

The Authority did not have adequate internal controls over and did not comply with a state law requirement to perform semi-annual data sharing with health insurers.

The Centers for Medicare and Medicaid Services developed the Payer Initiated Eligibility/Benefits (PIE) transaction, the format was developed by the federal government for data sharing. The Authority implemented this transaction format in July 2013. In October 2013, the Authority sent letters to 10 major insurance carriers with the most Medicaid clients, inviting them to begin data sharing. Three carriers – Regence, Bridgespan and Assuris – have chosen to work with the Authority to implement the PIE transaction and share data.

During fiscal year 2018, the Authority refined the logic for uploading PIE data files into its Medicaid Management Information System, ProviderOne, to ensure accurate automated loading of data. However, the Authority could not complete data exchanges because of data file uploading issues. The Authority worked with the ProviderOne vendor and resolved the issues on June 1, 2018. The file uploading process re-commenced the first week of July 2018, outside of the audit period.

Also, state law (74.09A.020(1)) stipulates that the Authority is to provide client data to health insurers, and the insurers are to identify joint beneficiaries and transmit the information to the Authority. The law and the Authority's current practice do not align because this identification is not being done by the insurers. In practice, the data exchange is initiated by payers (insurers) and then the Authority uploads primary payer information into ProviderOne. .

Cause of Condition

The Authority asserts it has no legal influence to enforce or compel private insurance carriers to participate in the PIE data exchange.

The Authority could not complete all data exchanges because of system upload issues.

Effect of Condition

Without performing the data exchange and cross-matching insurance claims, the Authority cannot completely and promptly identify Medicaid clients who have third-party coverage. This increases the Authority's risk of paying claims that are not allowable.

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

Recommendations

We recommend the Authority:

- Work with the Legislature to bring Washington into compliance with state law
- Continue efforts to perform data matches with private insurers

Authority's Response

The SAO is correct in stating that not all health insurers participate semi-annual data sharing processes with the Health Care Authority (HCA) according to the specifics described in state law (RCW 74.09A.020(5)). The SAO is not correct in concluding that, because of this, HCA is not able to promptly identify Medicaid clients with third party insurance coverage.

Insurers do share data, and HCA has robust and effective processes for identifying and collecting from third parties, much of which happens on an on-going basis and in real time. These activities include data exchanges with insurers; data matching using information obtained from other governmental agencies; cross-matching of insurance claims; and regularly exchanging data with our Medicaid Managed Care Organizations (MCOs). Acting on behalf of HCA, as required by contract, MCOs perform data matches with insurance carriers in the State of Washington that includes the utilization of large national databases to identify third party coverage. MCOs regularly share the results of their data matches with HCA. HCA has found these activities to be very effective in the timely identification of third party insurers.

SAO's finding is based on a specific data exchange method which most carriers have chosen not to participate in and which HCA has no legal authority to enforce. SAO management stated it believes HCA should seek and obtain that legal authority through legislation, and continues this audit finding in support of that opinion. The Office of the Insurance Commissioner is responsible for regulating insurers, not HCA. HCA has requested legislation to amend the specific details of data exchange to align with the data exchange method used by HCA. This legislation will not give HCA enforcement authority to require insurers to participate in that specific data exchange.

HCA will continue to engage in a variety of effective third party liability identification activities, including encouraging insurance carriers to share data, as we have been doing for many years.

Auditor's Concluding Remarks

State law (RCW 74.09A) requires the Authority to use a specific method of data exchange to accomplish third-party verification. The Authority is not using that method, putting it out of material compliance with the law.

The Authority does engage in other methods of third-party payment verification. However, the Authority will continue to be bound by the specific requirements of state law, just as our Office is bound by the requirement to audit to that standard. Because a state law is at issue, our Office suggested the Authority work with the Legislature on a resolution.

We reaffirm our finding and will review the status of this issue during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Section 200.516 Audit reporting, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

Title 42, United States Code, Part 1396a(a)(25) State plan for medical assistance, states in part:

(A) that the State or local agency administering such plan will take all reasonable measures to ascertain the legal liability of third parties (including health insurers, self-insured plans, group health plans (as defined in section 607(1) of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1167(1)]), service benefit plans, managed care organizations, pharmacy benefit managers, or other parties that are, by statute, contract, or agreement, legally responsible for payment of a claim for a health care item or service) to pay for care and services available under the plan, including-

(i) the collection of sufficient information (as specified by the Secretary in regulations) to enable the State to pursue claims against such third parties, with such information being collected at the time of any determination or redetermination of eligibility for medical assistance, and

(ii) the submission to the Secretary of a plan (subject to approval by the Secretary) for pursuing claims against such third parties, which plan shall be integrated with, and be monitored as a part of the Secretary's review of, the State's mechanized claims processing and information retrieval systems required under section 1396b(r) of this title;

(H) that to the extent that payment has been made under the State plan for medical assistance in any case where a third party has a legal liability to make payment for such assistance, the State has in effect laws under which, to the extent that payment has been made under the State plan for medical assistance for health care items or services furnished to an individual, the State is considered to have acquired the rights of such individual to payment by any other party for such health care items or services; and

Revised Code of Washington 74.09A.005 Findings, states:

The legislature finds that:

(1) Simplification in the administration of payment of health benefits is important for the state, providers, and health insurers;
(2) The state, providers, and health insurers should take advantage of all opportunities to streamline operations through automation and the use of common computer standards;
(3) It is in the best interests of the state, providers, and health insurers to identify all third parties that are obligated to cover the cost of health care coverage of joint beneficiaries; and
(4) Health insurers, as a condition of doing business in Washington, must increase their effort to share information with the authority and accept the authority's timely claims consistent with 42 U.S.C. 1396a(a)(25).

Therefore, the legislature declares that to improve the coordination of benefits between the health care authority and health insurers to ensure that medical insurance benefits are properly utilized, a transfer of information between the authority and health insurers should be instituted, and the process for submitting requests for information and claims should be simplified.

Revised Code of Washington 74.09A.020 Computerized information — Provision to health insurers, states:

1. The authority shall provide routine and periodic computerized information to health insurers regarding client eligibility and coverage information. Health insurers shall use this information to identify joint beneficiaries. Identification of joint beneficiaries shall be transmitted to the authority. The authority shall use this information to improve accuracy and currency of health insurance coverage and promote improved coordination of benefits.
2. To the maximum extent possible, necessary data elements and a compatible database shall be developed by affected health insurers and the authority. The authority shall establish a representative group of health insurers and state agency representatives to develop necessary technical and file specifications to promote a standardized database. The database

shall include elements essential to the authority and its population's health insurance coverage information.

3. If the state and health insurers enter into other agreements regarding the use of common computer standards, the database identified in this section shall be replaced by the new common computer standards.
4. The information provided will be of sufficient detail to promote reliable and accurate benefit coordination and identification of individuals who are also eligible for authority programs.
5. The frequency of updates will be mutually agreed to by each health insurer and the authority based on frequency of change and operational limitations. In no event shall the computerized data be provided less than semiannually.
6. The health insurers and the authority shall safeguard and properly use the information to protect records as provided by law, including but not limited to chapters 42.48, 74.09, 74.04, 70.02, and 42.56 RCW, and 42 U.S.C. Sec. 1396a and 42 C.F.R. Sec. 43 et seq. The purpose of this exchange of information is to improve coordination and administration of benefits and ensure that medical insurance benefits are properly utilized.
7. The authority shall target implementation of this section to those health insurers with the highest probability of joint beneficiaries.

2018-042 **The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure certain Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Special Tests and Provisions – Provider Eligibility-Provider Revalidation	
Questioned Cost Amount:	None	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $13.2 billion in federal and state funds during fiscal year 2018.

Provider enrollment

In March 2011, a new federal regulation required state Medicaid agencies to revalidate the enrollment of all Medicaid providers at least every five years. The Centers for Medicare and Medicaid Services (CMS) notified states through an informational bulletin that the revalidation of all providers, enrolled on or before March 25, 2011, must be completed by March 24, 2016.

In January 2016, CMS issued updated guidance to states that extended the deadline for provider revalidation to September 25, 2016. This new deadline applied to all providers enrolled on or before September 25, 2011. After this deadline, all providers must be revalidated every five years from their initial enrollment date. As part of this updated guidance, CMS required states to notify all affected providers of the revalidation requirement by the original March 24, 2016, deadline.

Provider screening risk levels

The first step in revalidating a provider is to determine the provider's screening risk level. A provider can be designated as one of three risk levels: limited, moderate or high. Each risk level requires progressively greater scrutiny of the provider before it can be revalidated. CMS issued initial guidance on screening levels for specific provider types. For providers enrolled with both Medicare and Medicaid, state Medicaid agencies must assign providers to the same or higher risk category applicable under Medicare. In addition, certain provider behaviors require a provider to be moved to a higher screening risk level.

The following are the required screening procedures for each of the risk levels:

Limited risk

- Verify that provider meets applicable federal regulations or state requirements for provider type before making an enrollment determination
- Conduct license verifications, including for licenses in states other than where the provider is enrolling
- Conduct database checks to ensure providers continue to meet the enrollment criteria for their provider type

Moderate risk

- Perform the "limited" screening requirements
- Conduct onsite visits

High risk

- Perform the "limited" and "moderate" screening requirements
- Conduct a fingerprint -based criminal background check

According to federal regulation, state Medicaid agencies must adjust the categorical risk level of a particular provider from "limited" or "moderate" to "high" when any of the following situations occur:

- A Medicaid agency imposes a payment suspension on a provider based on credible allegation of fraud, waste or abuse. The provider's risk remains "high" for 10 years after the date the payment suspension was issued.
- A provider that, upon applying for enrollment or revalidation, is found to have an existing state Medicaid Plan overpayment
- The provider has been excluded by the Office of Inspector General or another state's Medicaid program in the previous 10 years.
- A Medicaid agency or CMS, in the previous six months, lifted a temporary moratorium for the particular provider type and a provider that was prevented from enrolling based on the moratorium applies for enrollment as a provider at any time within six months from the date the moratorium was lifted.

Fingerprint-based criminal background check

In revalidating a provider's enrollment, the state Medicaid agency must conduct a fingerprint-based criminal background check when the agency has designated a provider as high risk. A high-risk provider or a person with a 5 percent or more direct or indirect ownership interest in the provider is subject to an FCBC requirement. The deadline to fully-implement a fingerprint-based criminal background check process was June 1, 2016. The full implementation date is the date when the state Medicaid agency is required to have completed each of the following tasks related to fingerprint-based criminal background checks:

- Notify each provider in the high risk category about the fingerprint-based criminal background check requirement
- Collect and use fingerprints to verify whether the provider or any person with a 5 percent or more or indirect ownership interest in the provider has a criminal history in the state or, if it chooses, at the national level
- Take any necessary termination action based on the criminal history data and updated enrollment records to reflect fingerprint-based criminal background check status
- Indicate in the enrollment record for a provider in the high-risk category whether and when the provider passed, failed or failed to respond to the requirement for fingerprint-based criminal background checks

On August 1, 2017, CMS extended the deadline to implement a fingerprint-based criminal background check process to July 1, 2018.

Over 96,000 Medicaid providers were active in Washington during fiscal year 2018. The Health Care Authority (Authority), which administers the state's Medicaid program, paid about $1.45 billion for fee-for-service claims billed by medical providers. In the prior audit, we reported the Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid medical providers were revalidated every five years and screening requirements were met. The prior finding number was 2017-033.

Description of Condition

The Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid medical providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.

Provider enrollment

Despite multiple extensions and notifications that CMS issued to states beginning in January 2016, the Authority did not revalidate all medical providers as federal regulations required. The Authority has established a process to revalidate medical providers, but did not have adequate personnel resources to ensure all medical providers were revalidated by the deadline.

Provider screening levels

The Authority did not establish a process to adjust provider screening risk levels.

Fingerprint-based criminal background check

The Authority did not implement a fingerprint-based criminal background check process by the extended deadline of July 1, 2018.

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

Cause of Condition

The Authority said that limited staff resources were the reason medical providers were not revalidated by their five-year deadline, and that risk adjustment and fingerprint-based criminal background check process were not implemented.

Effect of Condition

The Authority did not revalidate 39,838 out of 55,937 (71 percent) medical providers required to be revalidated as of June 28, 2018.

By not complying with federal provider revalidation, screening and fingerprint-based criminal background check requirements, the Authority is at a higher risk of not detecting when medical providers are ineligible to provide services or be paid with Medicaid funds.

Recommendation

We recommend the Authority:

- Implement internal controls designed to bring it into material compliance with provider revalidation requirements
- Implement a process to adjust providers' screening risk levels
- Implement a process to conduct fingerprint-based criminal background checks for high-risk providers

Authority's Response

The Health Care Authority (HCA) is aware of the current situation with provider revalidation and is closely monitoring with routine reports.

HCA is working on a long-term solution by developing an automated process that will conduct all necessary data matches. The new process is expected to significantly reduce the amount of manual effort required and ensure provider revalidation is performed timely. Until the new automated process is fully implemented, HCA continues to conduct other activities to mitigate the risk of paying ineligible providers.

HCA has prioritized revalidation work, and is making progress towards revalidation compliance, including the re-categorization of high-risk providers. Currently, there are approximately two dozen providers, out of 98,000, that meet the specific criteria to be re-categorized as high risk. Those providers will be subject to the fingerprint based criminal background checks.

Auditor’s Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls.

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
>
> **Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:
>
> **Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.
>
> **Probable.** The future event or events are likely to occur.
>
> **Significant deficiency in internal control over compliance.** A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
>
> **Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 42 U.S. Code of Federal Regulations section 455 Subpart E – Provider Screening and Enrollment, states in part:

> Section 455.414 Revalidation of enrollment
>
> The State Medicaid agency must revalidate the enrollment of all providers regardless of provider type at least every 5 years.
>
> Section 455.434 Criminal background checks
>
> The State Medicaid agency -
>
> (a) As a condition of enrollment, must require providers to consent to criminal background checks including fingerprinting when required to do so under State law

or by the level of screening based on risk of fraud, waste or abuse as determined for that category of provider.

(b) Must establish categorical risk levels for providers and provider categories who pose an increased financial risk of fraud, waste or abuse to the Medicaid program.

(1) Upon the State Medicaid agency determining that a provider, or a person with a 5 percent or more direct or indirect ownership interest in the provider, meets the State Medicaid agency's criteria hereunder for criminal background checks as a "high" risk to the Medicaid program, the State Medicaid agency will require that each such provider or person submit fingerprints.

(2) The State Medicaid agency must require a provider, or any person with a 5 percent or more direct or indirect ownership interest in the provider, to submit a set of fingerprints, in a form and manner to be determined by the State Medicaid agency, within 30 days upon request from CMS or the State Medicaid agency.

Section 455.450 Screening levels for Medicaid providers.

A State Medicaid agency must screen all initial applications, including applications for a new practice location, and any applications received in response to a re-enrollment or revalidation of enrollment request based on a categorical risk level of "limited," "moderate," or "high." If a provider could fit within more than one risk level described in this section, the highest level of screening is applicable.

(a) Screening for providers designated as limited categorical risk. When the State Medicaid agency designates a provider as a limited categorical risk, the State Medicaid agency must do all of the following:

(1) Verify that a provider meets any applicable Federal regulations, or State requirements for the provider type prior to making an enrollment determination.

(2) Conduct license verifications, including State licensure verifications in States other than where the provider is enrolling, in accordance with § 455.412.

(3) Conduct database checks on a pre- and post-enrollment basis to ensure that providers continue to meet the enrollment criteria for their provider type, in accordance with § 455.436.

(b) Screening for providers designated as moderate categorical risk. When the State Medicaid agency designates a provider as a "moderate" categorical risk, a State Medicaid agency must do both of the following:

(1) Perform the "limited" screening requirements described in paragraph (a) of this section.

(2) Conduct on-site visits in accordance with § 455.432.

(c) Screening for providers designated as high categorical risk. When the State Medicaid agency designates a provider as a "high" categorical risk, a State Medicaid agency must do both of the following:

(1) Perform the "limited" and "moderate" screening requirements described in paragraphs (a) and (b) of this section.

(2) (i)Conduct a criminal background check; and (ii) Require the submission of a set of fingerprints in accordance with § 455.434.

(d) Denial or termination of enrollment. A provider, or any person with 5 percent or greater direct or indirect ownership in the provider, who is required by the State

Medicaid agency or CMS to submit a set of fingerprints and fails to do so may have its -

(1) Application denied under § 455.434; or

(2) Enrollment terminated under § 455.416.

(e) Adjustment of risk level. The State agency must adjust the categorical risk level from “limited” or “moderate” to “high” when any of the following occurs:

(1) The State Medicaid agency imposes a payment suspension on a provider based on credible allegation of fraud, waste or abuse, the provider has an existing Medicaid overpayment, or the provider has been excluded by the OIG or another State's Medicaid program within the previous 10 years.

(2) The State Medicaid agency or CMS in the previous 6 months lifted a temporary moratorium for the particular provider type and a provider that was prevented from enrolling based on the moratorium applies for enrollment as a provider at any time within 6 months from the date the moratorium was lifted.

Centers for Medicare and Medicaid Services, Center for Medicaid and CHIP Services, CMCS Informational Bulletin, dated December 21, 2011, states in part:

> The Federal regulation at 42 CFR 455.414 requires States, beginning March 25, 2011, to complete revalidation of enrollment for all providers, regardless of provider type, at least every five years. Based upon this requirement, States must complete the revalidation process of all provider types by March 24, 2016.

Centers for Medicare and Medicaid Services (CMS) Sub Regulatory Guidance for State Medicaid Agencies (SMA): Revalidation (2016-001) states in part:

> The federal regulation at 42 CFR 455.414 requires that state Medicaid agencies revalidate the enrollment of all providers, regardless of provider types, at least every 5 years. The regulation was effective March 25, 2011. Based on this requirement, in a December 23, 2011 CMCS Informational Bulletin, we directed states to complete the revalidation process of all provider types by March 24, 2016.
>
> The purpose of this guidance is to revise previous guidance in order to align Medicare and Medicaid revalidation activities to the greatest extent possible. We are revising that previous guidance to now require a two-step deadline under which states must notify all affected providers of the revalidation requirement by the original March 24, 2016 deadline, and must have completed the revalidation process by a new deadline of September 25, 2016.
>
> …
>
> (3) Deadline for SMA to revalidate providers enrolled on or before September 25, 2011. The Federal regulation at 42 CFR § 455.414 requires states, beginning March 25, 2011, to revalidate the enrollment of all Medicaid providers, regardless of provider type, at least every five years. Based upon this requirement, by March 24, 2016, states must notify providers that were enrolled on or before March 25, 2011 that they must revalidate their enrollment. On March 25, 2016, states that have notified all providers subject to the revalidation requirement will be considered compliant with the revalidation activities required as of that date.

2018-043 **The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Service Verifications were performed for eligible nursing home claims.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Special Tests and Provisions – Utilization Control and Program Integrity	
Known Questioned Cost Amount:	None	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the state's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

For states, such as Washington, that use an automated claims processing system (ProviderOne), federal regulations require a specific method be in place to verify with Medicaid clients that they received services billed by providers. The intent is to improve program integrity and identify potential fraud and abuse in the Medicaid program.

The specific verification method involves sending individual written notices, within 45 days of payment, to all or a sample group of Medicaid clients whose claims were processed through ProviderOne. Medical, nursing home and social service claims are subject to the Medicaid service verification process. The only allowable exclusion is claims for confidential services. In fiscal year 2018, the state Medicaid program spent over $4.5 billion for medical, nursing home and social service claims.

The Health Care Authority (Authority) processes medical claims, and the Department of Social and Health Services (Department) processes social service and nursing home claims. As the owner of the state's automated claims processing system, the Authority is ultimately responsible to ensure all eligible claims are included in the Medicaid service verification survey process.

In state fiscal year 2018, the Authority mailed Medicaid medical and social service verification surveys to randomly selected clients every month. Clients who received the survey were selected based on payments made through ProviderOne.

If the Authority identifies a credible suspicion of fraud or abuse, it must forward the information to the Attorney General's Office, Medicaid Fraud Control Unit, for investigation.

In a prior audit, we reported the Authority did not ensure eligible nursing home claims were included in the Medicaid service verification process. The prior finding number was 2017-034.

Description of Condition

We found the Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Service Verifications were performed for eligible nursing home claims.

Although the Authority established an adequate process to select medical claims processed through ProviderOne, it did not include nursing home claims in any random monthly sample between July 2017 and February 2018 – eight of the 12 months during the audit period. Nursing home claims account for about 8 percent of total fee-for-service claims paid through ProviderOne.

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

Cause of Condition

The Authority excluded nursing home claims because these facilities are paid a fixed monthly rate and it felt the return on investment was low. It believed identifying potential fraud for this population could be accomplished through other means and that by excluding this population, it could select higher-risk providers to include in this process.

Effect of Condition

We used a non-statistical sampling method and randomly selected five monthly reports out of a total population of 12 monthly reports. We found three out of five tested monthly reports, or 60 percent, did not include the nursing home claims.

By not designing its service verification process to include all required claims, the Authority is at an increased risk of not detecting potential Medicaid fraud.

Recommendation

We recommend the Authority design its service verification survey process to include all required ProviderOne claims.

Authority's Response

The Authority does not agree that the exclusion of nursing homes in the survey population is an indication of control deficiency. The Authority strategically excluded nursing homes in order to conduct targeted, risk-based verifications with high return rates. From a compliance standpoint, the Authority believes federal regulations allow flexibility for grantees to adopt a more effective approach.

The Authority will continue to consult with the federal grantor to obtain clarification. As of March 2018, nursing homes are included in the universe of ProviderOne claims until definitive federal guidance is obtained.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

> Section 200.303 Internal controls, states in part:
> The non-Federal entity must:
> - (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
> - (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
> - (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
>
> Section 200.516 Audit findings, states in part:
> - (a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
>   - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

Title 42, U.S. Code of Federal Regulations, Chapter IV, Subpart C—Mechanized Claims Processing and Information Retrieval Systems, section 433.110 Basis, purpose and applicability, states in part:

(a) This subpart implements the following sections of the Act:

(1) Section 1903(a)(3) of the Act, which provides for FFP in State expenditures for the design, development, or installation of mechanized claims processing and information retrieval systems and for the operation of certain systems. Additional HHS regulations and CMS procedures for implementing these regulations are in 45 CFR part 75, 45 CFR part 95, subpart F, and part 11, State Medicaid Manual; and
(2) Section 1903(r) of the Act, which imposes certain standards and conditions on mechanized claims processing and information retrieval systems (including eligibility determination systems) in order for these systems to be eligible for Federal funding under section 1903(a) of the Act.

Title 42, U.S. Code of Federal Regulations, Section 433.116 FFP for operation of mechanized claims processing and information retrieval systems, states in part:

(a) Subject to paragraph (j) of this section, FFP is available at 75 percent of expenditures for operation of a mechanized claims processing and information retrieval system approved by CMS, from the first day of the calendar quarter after the date the system met the conditions of initial approval, as established by CMS (including a retroactive adjustment of FFP if necessary to provide the 75 percent rate beginning on the first day of that calendar quarter). Subject to 45 CFR 95.611(a), the State shall obtain prior written approval from CMS when it plans to acquire ADP equipment or services, when it anticipates the total acquisition costs will exceed thresholds, and meets other conditions of the subpart.
(b) CMS will approve enhanced FFP for system operations if the conditions specified in paragraphs (c) through (i) of this section are met.
(c) The conditions of §433.112(b)(1) through (22) must be met at the time of approval.
(d) The system must have been operating continuously during the period for which FFP is claimed.
(e) The system must provide individual notices, within 45 days of the payment of claims, to all or a sample group of the persons who received services under the plan.
(f) The notice required by paragraph (e) of this section—
    (1) Must specify—
        (i) The service furnished;
        (ii) The name of the provider furnishing the service;
        (iii) The date on which the service was furnished; and
        (iv) The amount of the payment made under the plan for the service; and
    (2) Must not specify confidential services (as defined by the State) and must not be sent if the only service furnished was confidential.
(g) The system must provide both patient and provider profiles for program management and utilization review purposes.
(h) If the State has a Medicaid fraud control unit certified under section 1903(q) of the Act and §455.300 of this chapter, the Medicaid agency must have procedures to assure that information on probable fraud or abuse that is obtained from, or developed by, the system is made available to that unit. (See §455.21 of this chapter for State plan requirements.)

Title 42, U.S. Code of Federal Regulations, Section 455.1 Basis and scope, states in part:

> This part sets forth requirements for a State fraud detection and investigation program, and for disclosure of information on ownership and control.
>
> (a) Under the authority of sections 1902(a)(4), 1903(i)(2), and 1909 of the Social Security Act, Subpart A provides State plan requirements for the identification, investigation, and referral of suspected fraud and abuse cases. In addition, the subpart requires that the State—
>   (1) Report fraud and abuse information to the Department; and
>   (2) Have a method to verify whether services reimbursed by Medicaid were actually furnished to beneficiaries.

Title 42, U.S. Code of Federal Regulations, Section 455.14 Preliminary investigation states:

> If the agency receives a complaint of Medicaid fraud or abuse from any source or identifies any questionable practices, it must conduct a preliminary investigation to determine whether there is sufficient basis to warrant a full investigation.

Title 42, U.S. Code of Federal Regulations, Section 455.20 Beneficiary verification procedure states:

> (a) The agency must have a method for verifying with beneficiaries whether services billed by providers were received.
> (b) In States receiving Federal matching funds for a mechanized claims processing and information retrieval system under part 433, subpart C, of this subchapter, the agency must provide prompt written notice as required by §433.116 (e) and (f).

Health Care Authority, Office of Program Integrity (OPI) Procedure No. 2.1.2 states:

> Medical Service Verification (MSV) Procedure
>
> Procedure:
>
> I. Selection and Issuance of MSVs.
>   A. Each month, using an automated random selection process, ProviderOne will issue 400 MSV forms to Washington Apple Health fee-for-service medical, nursing home and social service clients.
>   B. MSV mailings will:
>   1. Exclude clients receiving confidential services
>   2. Include a self-addressed stamped envelope for client to return to HCA;
>   3. Include a Language Assistance Sheet; and
>   4. Identify the specific service recipient
>   C. ProviderOne will create a report of all MSVs mailed.
>   1. Report will be sent to PI Intake Coordinator and DSHS
>   2. PI Intake Coordinator will upload the report into the PI Intake Database
>
> II. Receipt of MSVs
>   A. Each returned MSV will be scanned into the ProviderOne system, batched by the date received and submitted to the Intake Coordinator

B. All social service MSVs will be forwarded to DSHS, per Service Level Agreement (SLA), for processing.
C. The Intake Coordinator will log all returned medical and nursing home MSVs into the PI Intake Database, whether services are designated as received or not.
D. The Intake Coordinator will refer all leads from medical and nursing home MSVs with potential fraud, waste or abuse to the appropriate Utilization Analyst for further research and analysis.

III. The Utilization Analyst will:
A. Review the work of the Intake Coordinator, conduct further research and determine if a preliminary investigation is warranted.
B. Refer lead back to Intake Coordinator to close the MSV without action if a preliminary investigation is not required; or
C. Open a case in the Optum Case Tracking Module for assignment and conduct the preliminary investigation.
D. Follow the procedure for preliminary investigation and refer to CMT or for full investigation if indicated.

IV. Quality Control and Reporting

2018-044 **The Health Care Authority did not have adequate internal controls to ensure its federal draws for the Medicaid Transformation Demonstration project were adequately supported.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Activities Allowed / Allowable Costs Cost Principles	
Known Questioned Cost Amount:	None	

Background

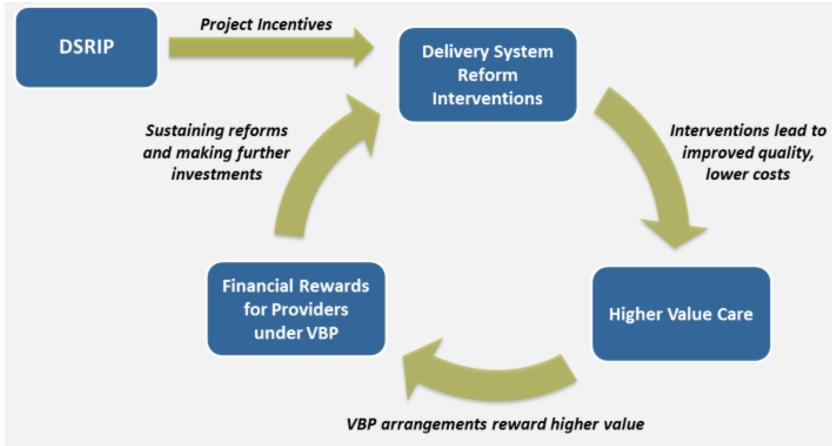
Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018. Washington's Medicaid program is overseen by the Health Care Authority (Authority).

Medicaid Transformation Demonstration Project

In 2017, the Authority and the Centers for Medicare and Medicaid Services (CMS) finalized an agreement for a five-year Medicaid Transformation Demonstration (MTD) project to improve the state's health care systems, provide better health care and control costs. From January 2017 to December 2021, the state is eligible to receive up to $1.5 billion in federal investment to restructure, improve and enhance the Apple Health (Medicaid) service delivery system.

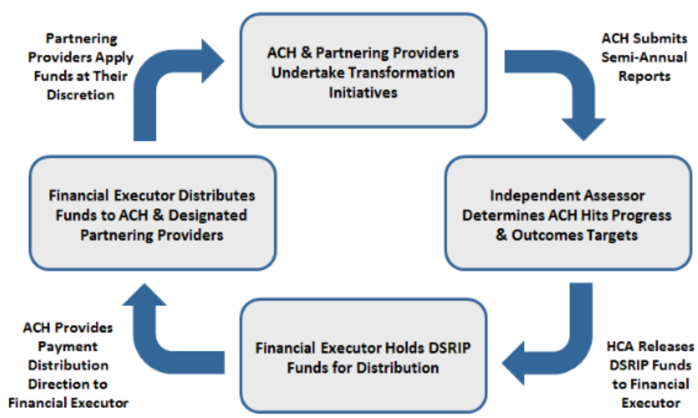
The MTD is the result of a Section 1115 waiver, which is a contract between the federal and state governments that waives certain Medicaid requirements, as long as the state can demonstrate budget neutrality by ensuring each dollar spent for Initiative one of the MTD is offset by equal or greater savings in Medicaid expenditures. The state can use these funds for innovative projects, activities and services that would not otherwise be allowed. It is not a grant; the state must show that it will not spend more federal dollars on its Medicaid program than it would have spent without the waiver. The waiver contains a list of special terms and conditions (STCs) the state must comply with.

The first initiative of the MTD is to transform the health system at the local level. Each region in the state is led by an Accountable Community of Health (ACH). Because the MTD federal investment is not a grant, ACHs and their partners receive funds only after they achieve certain milestones in approved project plans submitted to the Authority. The Delivery System Reform Incentive Payment (DSRIP) program is one of the foundations of the MTD. Washington is using DSRIP to invest in projects that will help medical providers successfully adopt value-based payment (VBP) contracts with Medicaid managed care organizations. VBP contracts award providers for delivering high-quality, integrated and whole-person care, instead of just the amount of care they provide.



Once funds are earned by a region, ACHs determine which of its partners will receive funds, when the funds are distributed by the Authority, and in what amounts. Decisions are made through consultation with regional partners and public meetings.

As seen in the chart below, the Authority releases each region's earned funds to a third-party financial executor based on the independent assessor's determination of regional achievement of the reporting and/or performance targets. The financial executor then distributes regional funds based on the ACH's direction.



In fiscal year 2018, the Authority spent about $199 million in federal funds and about $33 in local funds for the MTD.

Support for federal funding

There are two ways that CMS has authorized the Authority to provide the required match in order to draw down federal funds: Certified Public Expenditures from Designated State Health Programs (DSHP) and intergovernmental transfers (IGT).

DSHPs are existing publicly-funded health programs that support low income/uninsured individuals. DSHP programs must be funded completely with state or local government dollars without in-kind contributions.

IGTs are an approved methodology to provide required match for federal claiming. They are transfers of public funds between governmental entities, such as from a county or public hospital, to the Authority. The source of funding for IGTs is approved in advance by CMS.

Certified public expenditures

Within the MTD STCs is a protocol the Authority must follow when drawing down federal funds based on DSHP expenses. The state uses certified public expenditures (CPE) as the funding mechanism to claim federal match for approved DSHPs. The responsible entities, such as state agencies, counties and cities that manage the DSHPs, must submit expenditure information on a monthly and annual basis to the Authority. The responsible entities must also certify and attest that the reported expenditures are allowable to be claimed as CPE. Along with the total monthly expenses, the entities must provide the Authority with supporting documentation showing how the funds were spent.

The STCs contain a list of expenses that are not allowed to be claimed as CPE. Some examples include construction costs, services to undocumented individuals, administrative costs and funds from other federal grants. The Authority must obtain the signed CPE reports and supporting documentation before using it as support for drawing down federal funds. Also, the reports must not contain accrued expenses, only actual DSHP payments (cash-basis).

According to the STCs, the Authority must contract with an independent auditor to annually validate the accuracy of its federal claims. The Authority must also have program integrity efforts in place to ensure there is no duplication of federal funding for any aspect of the MTD.

Description of Condition

The Health Care Authority did not have adequate internal controls to ensure its federal draws for the MTD were adequately supported.

We confirmed the Authority obtained signed attestations report forms from the responsible entities that managed the DSHPs. However, the Authority did not implement procedures to verify the reported expenditures were allowable to claim as CPE.

Additionally, the Authority did not contract with an external auditor to validate the accuracy of federal claims or establish program integrity efforts to ensure there is no duplication of federal funding for any aspect of the MTD as required in the STCs.

We consider this internal control deficiency to be a material weakness. This condition was not reported in the prior audit.

Cause of Condition

The Authority experienced significant turnover in MTD program staff during the audit period. The Authority has not developed its own policies and procedures that describes program staff roles and responsibilities. The Authority said that the staff turnover was a contributing factor in why an external auditor was not contracted with as required in the STCs. Funds have been budgeted to proceed with the contracting process and the Authority said it has started the solicitation process.

The Authority did not establish CPE reporting guidelines for responsible entities of DSHPs. This led to the supporting documentation to vary for each DSHP. In some cases, the supporting documentation was not specific enough to determine if the reported expenses included unallowable activities.

Effect of Condition

In total, the Authority collected $197,352,390 in CPE that covered calendar year one of the five year demonstration period. We examined the supporting documentation submitted by the responsible entities of the DSHPs and found some contained expenses that were not allowed to be claimed as CPE.

Specifically we found:

- $1,091,619 in CPE was reported by four entities for administrative expenses
- $53,927 in CPE was reported by one entity for accrued expenses
- $2,254,237 in CPE for a DSHP was recorded, but the responsible entity did not provide supporting documentation with its monthly reports as required by the STCs

The Authority provided evidence that it had collected sufficient CPE, not including the unallowable expenditures identified by the audit, to support its federal draw downs for calendar year 1 of the demonstration. Therefore, we will not question these costs.

Although we are not questioning the costs, we are including this information in the finding to provide context to show that the Authority's system of internal controls did not identify the unallowable expenses.

Recommendations

We recommend the Authority:

- Contract with an external auditor to validate the accuracy of its federal claims
- Establish program integrity processes to ensure there is no duplication of federal funding for the MTD
- Establish internal policies and procedures for the MTD that, at minimum, describe the roles and responsibilities of staff
- Establish reporting guidelines for responsible entities of DSHPs to ensure they report consistent and detailed supporting documentation for their CPE

Authority's Response

While the Authority agrees with the State Auditor's Office (SAO) in not questioning the costs under the Effect of Condition, the Authority disagrees with the SAO in reporting the finding of $2,254,237 in Certified Public Expenditures (CPE) as unallowable for Designated State Health Program (DSHP) claiming. The responsible entity did provide supporting documentation with its report. In addition, the Authority provided SAO with evidence that federal funds were not drawn down using that entity's CPE. The Authority agrees with the SAO on the Cause of the Condition. The Authority will be working on filling staff vacancies and clearly defining policies and procedures for staff roles. We are in the process *of starting the procurement for the Independent External Auditor. The Authority is also working on defining administrative costs for DSHP.*

The Authority will consult with the U.S. Department of Health and Human Services regarding establishing a process for program integrity.

Auditor's Concluding Remarks

We included information about the unallowable CPE identified during the audit because the Authority's internal controls were not adequate to identify them. We will follow up during our next audit to determine if the Authority has taken corrective action on the matters reported in the finding.

Applicable Laws and Regulations

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

> Section 200.303 Internal controls, states in part:
>
> The non-Federal entity must:
>
> (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
>
> Section 200.516 Audit findings, states in part:
>
> (a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
>
> (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow

management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2017, *Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster,* states in part:

General Audit Approach for Medicaid Payments

To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State's documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

2018-045 The Health Care Authority claimed federal funds for Medicaid expenditures that exceeded the two-year time limit.

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.775 State Medicaid Fraud Control Units 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare 93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT
Applicable Compliance Component:	Period of Performance
Known Questioned Cost Amount:	$ 2,095,931

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the State’s federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

Federal law establishes a two-year limit for a state to claim federal funds for Medicaid expenditures. For Medicaid funds to be reimbursed, claims must be filed to the federal grantor within two years after the calendar quarter in which the state agency made the expenditures. Exceptions to the two-year limit are:

- Any claim for an adjustment to prior-year costs
- Any claim resulting from an audit exception
- Any claim resulting from a court-ordered retroactive payment
- Any claim for which the Secretary decides there was good cause for the state's not filing it within the time limit

The Health Care Authority (Authority), Washington’s Medicaid agency, draws federal funds for Medicaid expenditures made by the Authority and the Department of Social and Health Services on a weekly basis. The Authority’s fiscal unit prepares a CMS-64 Quarterly Statement of Expenditures for the Medical Assistance Program report. While preparing the report, the unit analyzes Medicaid expenditures to ensure the report includes only expenditures that are within the two-year limit. If the unit finds any Medicaid claimed expenditures that exceed the two-year limit, it processes a journal voucher to pay back the claimed federal portion of the expenditures to the federal grantor.

In fiscal year 2018, the Authority claimed about $8.1 billion in federal dollars for the Medicaid program.

Description of Condition

We found the Authority had adequate internal controls to ensure it claimed federal funds for expenditures that were within the two-year time limit. However, we reviewed all four quarterly CMS-64 reports and supporting documentation submitted for fiscal year 2018 and found that the Authority claimed $2,095,931in Medicaid expenditures that were past the two-year time limit.

The following table summarizes our results:

CMS-64 Reporting Quarter for State Fiscal Year 2018	Health Care Authority	Department of Social and Health Services	Total
Quarter 1	$52,779	$ 746,921	$799,701
Quarter 2	$2,679	$5,633	$8,311
Quarter 3	$10,331	$149	$10,480
Quarter 4	$1,277,271	$168	$1,277,439
Total	**$1,343,060**	**$752,871**	**$2,095,931**

The Authority's fiscal unit identified the federal claims made for Medicaid expenditures that were past the two-year time limit when the CMS-64 reports were prepared. The expenditures were excluded from the quarterly reports due to the two-year limit. However, the unit did not process journal vouchers to pay back the unallowed federal claimed amounts to its federal grantor.

This condition was not reported in the prior audit.

Cause of Condition

The Authority said paying back the federal funds that are identified as outside the two-year limit is not always done at the end of each quarter. While that process is always preferable, the Authority's workload and limited resources did not allow it to complete this promptly.

Effect of Condition and Questioned Costs

The federal grantor does not allow a state to claim federal funds for Medicaid expenditures that are past the two-year limit. We are questioning the $2,095,931 in federal funds claimed by the Authority that exceeded the two-year limit.

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

Recommendation

We recommend the Authority consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs identified in the audit should be repaid.

Authority's Response

The authority agrees with the finding that journal vouchers to reduce federal expenditures for amounts outside the two-year claiming period were not processed during the audit period.

The identification of these amounts is done quarterly, based solely on federal fiscal year, and are not reported on the claim. Prior to the transfer of these charges to state funds, considerable research is required to determine if the charge is in fact unallowable. Due to limited staffing, and the amount of research required, the actual transfer does not always occur timely. These adjustments, if appropriate, are done during the award close-out process and the federal funds are returned.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.403 Factors affecting Allowability of costs.

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

Section 433.300 Basis states in part:.

This subpart implements -

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.
(b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to

recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Title 45 U.S. Code of Federal Regulations Part 95, Subpart A - Time Limits for States To File Claims, states in part:

Section 95.7 Time limit for claiming payment for expenditures made after September 30, 1979 states:

Under the programs listed in § 95.1, we will pay a State for a State agency expenditure made after September 30, 1979, only if the State files a claim with us for that expenditure within 2 years after the calendar quarter in which the State agency made the expenditure. Section 95.19 lists the exceptions to this rule.

Section 95.19 Exceptions to time limits.

The time limits in §§ 95.7 and 95.10 do not apply to any of the following -

(a) Any claim for an adjustment to prior year costs.
(b) Any claim resulting from an audit exception.
(c) Any claim resulting from a court-ordered retroactive payment.
(d) Any claim for which the Secretary decides there was good cause for the State's not filing it within the time limit.

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2017, *Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster*, states in part:

General Audit Approach for Medicaid Payments

To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State's documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

2018-046 **The Health Care Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Suspension and Debarment	
Known Questioned Cost Amount:	None	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

Federal regulations prohibit grant recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. The grantee must verify that all contractors receiving $25,000 or more in federal funds, or any subrecipients, have not been suspended or debarred or otherwise excluded. This verification may be accomplished by obtaining a written certification from the contractor or subrecipient or inserting a clause into the contract where the contractor or subrecipient states it is not suspended or debarred. Alternatively, the grantee may search the federal System For Award Management (SAM). This requirement must be met before entering into the contract.

The Medicaid program has additional requirements to ensure Medicaid providers are not suspended or debarred. Federal regulations require state Medicaid agencies to determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee of the provider through routine checks of the List of Excluded Individuals/Entities (LEIE) and the Excluded Parties List System (EPLS). (In November 2012 the EPLS system was replaced with the System For Award and Management (SAM) database.)

The regulation requires state Medicaid agencies to perform LEIE and EPLS/SAM checks upon enrollment and re-enrollment of providers. For all enrolled providers, owners and managing employees, LEIE and EPLS/SAM checks must be completed at least monthly.

Over 96,000 Medicaid providers were active in Washington during fiscal year 2018. The Health Care Authority (Authority), which administers the state's Medicaid program, spent about $1.45 billion for fee-for-service claims billed by medical providers.

In the prior audit, we reported the Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers. The prior finding number was 2017-037.

Description of Condition

We found the Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.

The Authority performs LEIE and EPLS/SAM database checks upon enrollment and re-enrollment of medical fee-for-service providers. The Authority also performs the required monthly LEIE database checks. However, we found the Authority did not complete the required monthly EPLS/SAM database checks. The Authority did not perform EPLS/SAM checks for any months during our audit period.

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

Cause of Condition

The SAM database only has the ability to look up a single individual or an entity; therefore the Authority said it cannot complete data matches for all 96,000 providers monthly. The Authority is working with the federal government to resolve this issue.

Effect of Condition

We confirmed the Authority did not pay any debarred or suspended provider during the audit period. However, not conducting required monthly database checks in a timely manner increases the risk that the Authority would not detect and prevent suspended or debarred providers from receiving federal Medicaid funds. Payments to providers who are suspended or debarred would be unallowable, and the Authority could be required to repay the grantor for any such payments.

Recommendation

We recommend the Authority establish adequate internal controls to ensure it completes required EPLS/SAM checks at least monthly.

Authority's Response

As noted by the State Auditor's Office, the Authority conducts LEIE and EPLS database checks during the provider enrollment process for new enrollees and during re-validation.

The EPLS database checks are currently not conducted on a monthly basis by the Authority as there is a price associated with the SAM/EPLS database checks for an upload of more than one individual *provider at a time. The Authority has not had adequate staffing nor the budget to pay to have these checks conducted on a monthly basis due to the volume of its providers.*

The Authority's work to utilize the U.S. Department of Treasury's Do Not Pay database system has stalled on the Federal side. The Authority is exploring other opportunities which will provide the capability to upload the high volume of providers into SAM/EPLS and conduct the required checks on a monthly basis.

Under the Authority's Apple Health contract, Managed Care Organizations (MCOs) are delegated to conduct the LEIE and SAM/EPLS database checks on network providers, which account for the majority of contracted providers. Per the contract requirements, MCOs report, to the Authority, any provider who appears in any of the databases and terminates the provider as necessary. The MCOs have been compliant with the aforementioned contract requirements which reduces the Authority's risk.

Although there is a current gap in the Authority's ability to conduct the SAM/EPLS database checks on a monthly basis, there were no improper payments identified.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:
The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

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

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

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
>
> **Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:
>
> **Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.
>
> **Probable.** The future event or events are likely to occur.
>
> **Significant deficiency in internal control over compliance.** A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
>
> **Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in

noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

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

Subpart B – Covered Transactions

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

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

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

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

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

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

Title 42 U.S. Code of Federal Regulations section 455 Subpart E – Provider Screening and Enrollment, states in part:

Section 455.436 Federal database checks

The State Medicaid agency must do all of the following:

(a) Confirm the identity and determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee
(b) Check the Social Security Administration's Death Master File, the National Plan and Provider Enumeration System (NPPES), the List of Excluded Individuals/Entities (LEIE), the Excluded parties List System (EPLS) and any such other databases as the Secretary may prescribe.
(c) (1) Consult appropriate databases to confirm identity upon enrollment and reenrollment; and
    (2) Check the LEIE and EPLS no less frequently than monthly.

2018-047 **The Health Care Authority, Section of Program Integrity, Data Analytics and Review Unit, did not establish adequate internal controls over and did not comply with requirements to identify and refer suspected fraud cases for investigation.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Special Tests and Provisions – Utilization Control and Program Integrity	
Known Questioned Cost Amount:	None	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

Federal regulations require states to develop methods and criteria for identifying and investigating suspected fraud cases within the Medicaid program. In addition, the state Medicaid agency must develop procedures, in cooperation with State legal authorities, for referring suspected fraud cases to law enforcement officials, including the State Medicaid Fraud Control Unit (MFCU).

The Section of Program Integrity (Section) is the main office within the Health Care Authority (Authority) that performs program integrity reviews of Medicaid operations. The Section's mission is to identify, prevent and recover improper payments to providers and its contractors, and identify noncompliance with state and federal regulations as well as with contractual requirements. This mission is carried out through:

- Data mining and analysis of payment transactions to identify potential fraud
- Conducting audits and reviews of health care providers, contractors, and subcontractors to ensure compliance with applicable laws and regulations
- Preventing future improper payments by recommending process improvements through amended program policies and Medicaid payment system edits
- Providing educational outreach to Medicaid providers, managed-care organizations, health care associations, and other Medicaid contractors to identify, report and prevent fraud

The Section's Data Analytics and Review Unit (Unit) is responsible for developing algorithms to detect and prevent fraud, waste and abuse; as well as identifying improperly paid claims, premiums and client benefits, and unusual provider billing practices; ensuring data integrity; and referring potential credible allegations of fraud. The Unit also conducts focused provider case reviews in which billing patterns by a particular provider (or group of providers) are analyzed to determine the likelihood of fraud.

During fiscal year 2018, the Data Analytics and Review Unit ran 15 algorithms to detect improper Medicaid payments and identify future cost avoidances. In addition, four Surveillance and Utilization Review Section (SURS) Analysts performed 37 provider case reviews to attempt to detect fraud.

In fiscal year 2018, the Authority processed $51.6 million in improper payment recoveries, and identified an additional cost avoidance of $28.2 million through system improvements, provider educational outreach, and revisions to contract and billing guide language. The state Medicaid program paid about $6 million for program integrity operations at the Authority.

Description of Condition

The Authority did not have adequate internal controls over and did not comply with requirements to identify and refer suspected fraud cases for investigation.

Provider case reviews

The Unit did not have policies and procedures pertaining to algorithms and provider case reviews. Draft policies were created and implemented on March 14, 2018. The policies and procedures were officially signed on June 13, 2018.

We reviewed the Unit's policies and procedures and determined they do not address secondary reviews of analyst research to determine if the decision to report or not report the case to MFCU is substantiated. The Authority confirmed that no secondary reviews of provider case reviews were performed during the audit period.

We consider this control deficiency to be a material weakness.

This condition was not reported in the prior audit.

Cause of Condition

The Authority did not believe that secondary reviews of provider case reviews were necessary to ensure the analyst's findings were accurate and supported.

Unit management did not establish written policies and procedures when the Unit was created. The Unit became aware that policies and procedures were not documented and during the audit period took steps to implement written policies and procedures. The delay was caused by the need to gather input from stakeholders within the Authority.

The Unit did not set standards for documentation regarding analyst case work. Additionally, management did not review case notes to ensure all work performed by the analyst was adequately documented.

Effect of Condition

Provider case reviews

We used a non-statistical sampling method to randomly select and examine nine provider case reviews out of a total population of 37 cases completed during fiscal year 2018.

For seven of the nine cases (78 percent), we could not determine whether the reviews were completed in accordance with Unit policies and procedures because there was insufficient supporting documentation to substantiate the work performed by the SURS analyst assigned to the case. The documentation contained only the final decision arrived at by the SURS analyst, and in some cases, notations made by the analyst. However, these notations did not adequately document the type(s) of information that the SURS analyst reviewed to form their decision of a non-credible allegation of fraud.

By not requiring secondary reviews of provider cases opened by SURS analysts, the Authority has no assurance that all credible cases of fraud have been properly identified and referred to the State MFCU. Failure to identify all suspected fraud cases increases the risk of undetected improper payments within the Medicaid program.

Recommendations

We recommend the Authority:

- Monitor provider case reviews to ensure they are performed and documented in accordance with Unit policies and procedures. As part of its monitoring, we recommend the Authority implement a supervisory review of cases
- Require analysts to document the considerations they evaluated during provider case reviews when deciding whether to refer a case to the State MFCU

Authority's Response

The Authority disagrees with the statement made under Effect of Condition, "…the Authority has no assurance that all credible cases of fraud have been properly identified and referred to the State MFCU". Consistent with the Section's Case Management Policy and Case Management Team Charter, cases requiring further reviews were presented and reviewed by the Team to determine further action including investigation of suspected fraud and potential fraud referral to MFCU.
The Authority agrees with the findings of:

- *DAR Unit policies and procedures do not require a secondary review by the DAR manager. The Authority will implement changes to ensure secondary reviews are conducted; and*
- *Several cases did not have sufficient documentation in the case tracking system. The unit manager will ensure staff are properly trained and will conduct periodic reviews of documentation to ensure it follows Unit and Section documentation requirements.*

Auditor's Concluding Remarks

We did not evaluate the effectiveness of the Authority's Case Management Team reviews because the Authority did not provide evidence of Case Management Team meetings to review active and/or completed investigations for appropriateness. Therefore, we could not confirm the Authority ensured all credible cases of fraud or abuse were referred to the MFCU, as required.

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

Applicable Laws and Regulations

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

> Section 200.303 Internal controls, states in part:
> The non-Federal entity must:
>
> (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
> (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
> (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
>
> Section 200.516 Audit findings, states in part:
>
> (a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
>   (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
>   (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

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

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> **Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:
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> **Significant deficiency in internal control over compliance.** A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
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> **Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 42 U.S. Code of Federal Regulations Part 455, Program Integrity: Medicaid, Subpart A – Medicaid Agency Fraud Detection and Investigation Program, states in part:

> 455.13. Methods for identification, investigation, and referral.
>
> The Medicaid agency must have –
>
> (a) Methods and criteria for identifying suspected fraud cases;
>
> (b) Methods for investigating these cases that –
>
> (1) Do not infringe on the legal rights of persons involved; and
>
> (2) Afford due process of law; and
>
> (c) Procedures, developed in cooperation with State legal authorities, for referring suspected fraud cases to law enforcement officials.

455.14. Preliminary investigation.

If the agency receives a complaint of Medicaid fraud or abuse from any source or identifies any questionable practices, it must conduct a preliminary investigation to determine whether there is sufficient basis to warrant a full investigation.

455.15. Full investigation.

If the findings of a preliminary investigation give the agency reason to believe that an incident of fraud or abuse has occurred in the Medicaid program, the agency must take the following action, as appropriate:

(a) If a provider is suspected of fraud or abuse, the agency must –

(1) In States with a State Medicaid fraud control unit certified under subpart C of part 1002 of this title, refer the case to the unit under the terms of its agreement with the unit entered into under § 1002.309 of this title;

(b) If there is reason to believe that a beneficiary has defrauded the Medicaid program, the agency must refer the case to an appropriate law enforcement agency.

(c) If there is reason to believe that a beneficiary has abused the Medicaid program, the agency must conduct a full investigation of the abuse.

455.16. Resolution of full investigation.

A full investigation must continue until –

(a) Appropriate legal action is initiated;

(b) The case is closed or dropped because of insufficient evidence to support the allegations of fraud or abuse; or

(c) The matter is resolved between the agency and the provider or beneficiary. This resolution may include but is not limited to –

(1) Sending a warning letter to the provider or beneficiary, giving notice that continuation of the activity in question will result in further action;

(2) Suspending or terminating the provider from participation in the Medicaid program;

(3) Seeking recovery of payments made to the provider; or

(4) Imposing other sanctions provided under the State plan.

Title 42 U.S. Code of Federal Regulations Part 456, Utilization Control, Subpart A – General Provisions, states in part:

456.1. Basis and purpose of part.

(b) The requirements in this part are based on the following sections of the Act. Table 1 shows the relationship between these sections of the Act and the requirements in this part.

(1) *Methods and procedures to safeguard against utilization of care and services.* Section 1902(a)(30) requires that the State plan provide methods and procedures to safeguard against unnecessary utilization of care and services.

456.2. State plan requirements.

(a) A State plan must provide that the requirements of this part are met.

(b) These requirements may be met by the agency by:

(1) Assuming direct responsibility for assuring that the requirements of this part are met;

456.3. Statewide surveillance and utilization control program.

The Medicaid agency must implement a statewide surveillance and utilization control program that –

(a) Safeguards against unnecessary or inappropriate use of Medicaid services and against excess payments;

(b) Assesses the quality of those services;

(c) Provides for the control of the utilization of all services provided under the plan in accordance with subpart B of this part; and

(d) Provides for the control of the utilization of inpatient services in accordance with subparts C through I of this part.

456.4. Responsibility for monitoring the utilization control program.

(a) The agency must –

(1) Monitor the statewide utilization control program;

(2) Take all necessary corrective action to ensure the effectiveness of the program;

(3) Establish methods and procedures to implement this section;

(4) Keep copies of these methods and procedures on file; and

(5) Give copies of these methods and procedures to all staff involved in carrying out the utilization control program.

456.5. Evaluation criteria.

The agency must establish and use written criteria for evaluating the appropriateness and quality of Medicaid services.

Title 42 U.S. Code of Federal Regulations Part 456, Utilization Control, Subpart B – Utilization Control: All Medicaid Services, states in part:

456.23 – Post-payment review process.

The agency must have a post-payment review process that –

(a) Allows State personnel to develop and review –

(1) Beneficiary utilization profiles;

(2) Provider service profiles; and

(3) Exceptions criteria; and

(b) Identifies exceptions so that the agency can correct misutilization practices of beneficiaries and providers.

The Washington State Plan under Title XIX of the Social Security Act – Medical Assistance Program, Section 4.5 – Medicaid Agency Fraud Detection and Investigation Program, states:

> The Medicaid agency has established and will maintain methods, criteria, and procedures that meet all requirements of 42 CFR 455.13 through 455.21, and 455.23 for prevention and control of program fraud and abuse.

Washington Administrative Code, 182-502A-0401 *Program integrity activities,* states in part:

1. Form. Program integrity activities include:
   (a) Conducting audits;
   (b) Conducting reviews;
   (c) Conducting investigations;
   (d) Initiating and reviewing entity self-audits under WAC 182-502A-0501;
   (e) Applying algorithms to claim or encounter data;
   (f) Conducting on-site inspections of entity locations; and
   (g) Verifying entity compliance with applicable laws, rules, regulations, and agreements.
5. Scope. The agency determines the scope of a program integrity activity.
6. Selecting information to evaluate.
   (a) The agency may evaluate any information relevant to validating that the payee received only those funds to which it is legally entitled. In this chapter, "relevant" has a meaning identical to Federal Rule of Evidence 401.
   (b) The agency may select information to evaluate by:
      (i) Conducting a risk assessment of claim or encounter data;
      (ii) Applying algorithms;
      (iii) Data mining;
      (iv) Claim-by-claim review;
      (v) Encounter-by-encounter review;
      (vi) Stratified random sampling;
      (vii) Nonstratified random sampling; or
      (viii) Applying any other method, or combination of methods, designed to identify relevant information.
8. Evaluating information.
   (a) The agency may evaluate relevant information by applying any method or combination of methods reasonably calculated to determine whether an entity has complied with an applicable law, regulation or agreement.
   (b) A health care provider's bill for services, appointment books, accounting records, or other similar documents alone do not qualify as appropriate documentation of services rendered.
   (c) The agency provides the entity a description of the method or combination of methods used by the agency under subsection (6) of this section.

The Washington Health Care Authority, Section of Program Integrity (PI), Data Analytics & Review (DAR) Policy Manual, Chapter 4: Provider Case Review, No. 4-0 states:

PURPOSE
The purpose of this policy is to ensure that DAR has explicit policy governing case work so that staff completes all cases in the most appropriate way relevant to the matter under investigation.

BACKGROUND
Per 42 CFR Part 455, HCA must conduct a preliminary investigation of every complaint of Medicaid fraud or abuse and every questionable practice it identifies. HCA conducts data analysis to identify questionable practices under Part 456. Part 455 also requires HCA to conduct a full investigation when a preliminary investigation gives the agency reason to elieve an incident of fraud or abuse has occurred. The case work must continue until each full investigation is resolved.

POLICY REQUIREMENTS
1. All DAR staff conducting case work must abide by the policies and procedures that govern case work.
2. In addition, successful case work is a community effort. DAR staff will provide mutual support. This policy encourages the investigator to seek assistance from agency subject matter experts.

The Washington Health Care Authority, Section of Program Integrity (PI), Data Analytics & Review (DAR) Procedure Manual, Chapter 4: Provider Case Review, No. 4-0-01 states:

Procedure
Leads are generated by a variety of sources including but not limited to SME Peer Profiling activity, HotTips, Program Managers and sources inside and outside the agency. Leads generated through the In-take process are assigned to the appropriate SME for preliminary triage. The SME determines (on case by case basis) whether or not to enter into the tracking system or return to in-take. If the source of the lead is a Medical Service Verification (MSV) follow the MSV process.

Action by DAR Staff:
1. Enter provider information directly into tracking system and open as Preliminary Investigation Assessed for:
   Appropriateness
   Jurisdiction. Some matters are not the appropriate for DAR SURS review such as welfare fraud and quality of care.
   Sufficiency
   To be sufficient a lead must at least have a clear allegation and identify the alleged perpetrator.
   Generally, a complaint is insufficient when it provides too little information to specify the perpetrator. However, a complaint may be sufficient when it identifies a material problem of a general nature, such as improper claims processing that is not specific to a perpetrator.

A complaint is insufficient when the allegation fails to define the allegation.

Significance

The potential for monetary loss and for recovery are the usual measures of significance. The greater the financial risk the higher the significance. Likewise, matters of high media profile or potential infamy are deemed of significance relative to the degree of notoriety. DAR staff Unit alerts SPI management to such matters immediately.

Credibility

Information used to evaluate leads have varying levels of credibility. The following are examples of situations of relatively high credibility:

- Information developed during prepayment and post-payment review of medical records.
- Data analysis that shows the provider's utilization to be well above that of its peers without any apparent legitimate rationale.
- Billing patterns so aberrant from the norm that they bring into question the correctness of the payments made.
- Allegations that items or services were not furnished or received as billed. Documented allegations have higher credibility than undocumented allegations.
- Allegations of false billing from a provider's employees.
- Evidence of aberrant billing practices reported by staff monitoring and/or processing claims and matters related to authorizations.
- Eye witness accounts by clients and/or a provider's peers.

Credibility depends upon the source (i.e. may include but not limited to):

- Clients and/or their families;
- Provider employees and similar professionals
- WA Dept. of Social and Health Services employees
- Health Care Authority employees
- Department of Health (DOH)
- Professional licensing and facility credentialing agencies
- Centers for Medicare and Medicaid Services (CMS)
- Office of the Inspector General (OIG)
- U.S. Department of Justice (DOJ)
- Federal Bureau of Investigation (FBI)
- U.S. Attorney and state and local law enforcement
- Other governing agencies

1. Based on risk/findings determine how the case will proceed:
   a. Close the case using the appropriate disposition (below)

      Administration advised not to pursue: This means that legitimate supervisory authority told HCA not to pursue a case. This is not a common occurrence. An example would be direction from the Office of the US Attorney to 'stand down' so as not to interfere with federal action. Another would be direction from the Governor's Office not to pursue a case.

      Insufficient findings to substantiate a full review at this time: This disposition is used in cases where there is suspicion yet the evidence in negligible and/or unsubstantiated to identify a clear wrongful act, AND continued monitoring is prudent AND the analyst determines future follow-up should be scheduled. Close the case using the “tickler” function to set a reminder; follow-up increments of 4 months is advised.

Lacks materiality to warrant review at this time: PI Management determined that it is not cost effective to investigate providers that have received payment less than $5,000 annually for consecutive years. The exception is evidence of suspected fraudulent activity.

No further action by this section is appropriate: If this option is selected, one must enter comprehensive notes. This may be closed “delivered provider education.”

Opened in error: This may be used when the case was opened inadvertently more than once, the unit designation is not accurate, it’s an MVS and the form is incomplete and should not have been opened or it was opened using misinformation. Always clearly document the reasons the case was opened in error in the note screen. Never use this option to close a case that was opened and triage indicated there was insufficient evidence or data to merit review.

Open Full Scale Investigation: Case requires referral, additional documents to substantiate payments such as evidence from provider, client, or other state agency etc.

2. Full Scale Investigation: Is a comprehensive investigation that requires compilation of organized evidence. These tasks include but are not limited to:
   a. Understand the Provider Case Review Checklist
   b. Review provider history with governing agencies
   c. Identify all provider numbers and affiliations
   d. Understand contracted requirements of CPA.
3. Refer for follow-up outside the unit: based on findings determine if a referral is required. If so refer to the appropriate entity, discuss the referral with appropriate staff at the referral destination. Comply with specific processes i.e. submit forms and obtain approval as required and refer to one of the options in the case tracking system.
4. Based on risk/findings determine how the case will proceed and close with appropriate disposition.

2018-048 **The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid expenditures were allowable to claim Children's Health Insurance Program funds.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Activities Allowed/Unallowed Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$4,145	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

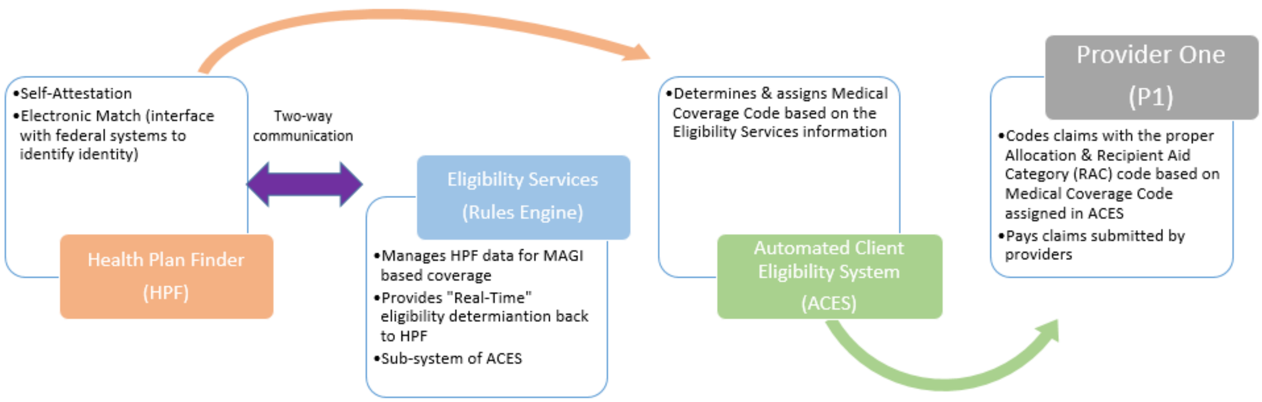
In fiscal year 2018, the state Medicaid program paid about $437 million for Medicaid eligible children under 42 U.S. Code §1397ee authority.

In Washington, Medicaid and the CHIP program provide medical and behavioral health assistance for children up to 19 years old who reside in low-income households. Both programs are funded by State and federal money. Federal funds reimburse the State for about 88 percent of CHIP expenditures and 50 percent of Medicaid expenditures incurred by the Health Care Authority (Authority).

The State may claim additional CHIP funding when two conditions are met: a child is younger than 19 at the time of service and the child's family income equals or exceeds 133 percent of the federal poverty level, but does not exceed the Medicaid applicable income level (which is 210 percent of the federal poverty level). If the Medicaid costs have already been claimed and reimbursed, the State submits a claim for the difference between the CHIP and Medicaid rates.

The following describes the process the Authority uses to identify Medicaid expenditures that are allowable for the additional CHIP funds:

- Medicaid eligibility is determined in the Eligibility Services system based on income information submitted by applicants through Health Plan Finder, www.wahealthplanfinder.org, the online application system (see diagram below).
- The Eligibility Service then notifies ProviderOne, the Authority's Medicaid Management Information System, of the appropriate Recipient Aid Category (RAC) code for the children who are eligible for additional CHIP funds based on income information in the Automated Client Eligibility System (Eligibility System), Washington's social service program client eligibility system.
- The Authority creates a report showing all payments that ProviderOne assigns both a RAC code of 1204 and an allocation code of 3MXA; payments that are assigned both these codes are identified as allowable for additional CHIP funding.



The Authority uses ProviderOne to identify Medicaid expenditures and prepare a journal voucher based on the RAC and allocations to identify allowable Medicaid expenditures.

In prior audits, we reported the Authority did not have adequate internal controls to ensure additional CHIP funds were properly claimed for allowable Medicaid expenditures. The prior finding numbers were 2017-038, 2016-034, 2015-039, and 2014-037. Prior findings reported inadequate internal controls over additional CHIP funds for the Authority's fee-for service and managed care claims.

Description of Condition

The Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid expenditures were allowable to claim CHIP funds.

The Authority performs a post-eligibility review on required programs as outlined in the state's verification plan to ensure Medicaid eligibility is properly determined.

However, it performs the review only when household income is above the Medicaid applicable income level. The applicable family income for Medicaid children is 210 percent of the federal poverty level. Additional CHIP funds are allowable for Medicaid children whose household income equals or exceeds

133 percent of the federal poverty level, but does not exceed 210 percent of that level. When a household's income is below 133 percent of the federal poverty level, the Authority does not conduct a post-eligibility review for Children's coverage.

Because the Authority did not perform post eligibility reviews for clients whose income was below 133 percent, it did not detect when RAC codes were incorrectly assigned to clients. This resulted in the Authority improperly claiming additional CHIP funds.

We used a statistical sampling method to randomly select and examine 86 clients of a total population of 242,835 who had a RAC code of 1204 and had paid fee-for-service and managed care claims with an allocation code of 3MXA during the period the claim was made for. We reviewed claims to determine if the Authority properly coded the clients and the claims as allowable for additional CHIP federal funds. We identified 17 claims that were not coded to the correct RAC and allocation code when the client's eligibility was determined for CHIP:

- 14 (16.3 percent) clients with income below 133 percent of the federal poverty level did not have the appropriate RAC code assigned at the time of service.
- Three (3.5 percent) clients with income above 210 percent of the federal poverty level did not have the appropriate RAC code assigned at the time of service. These clients should have been enrolled in the CHIP program, not the Medicaid program.

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

Cause of Condition

The Authority uses specific client eligibility criteria to determine claims that are allowable for additional CHIP federal funding. Clients attest to household income at the time of application. The Eligibility System determines client eligibility based on the first self-attested income that is entered, which is then coded to help identify within ProviderOne if the claim is allowable for additional CHIP federal funds. However, the Eligibility System does not re-determine eligibility of the client if changes to the household income is subsequently entered.

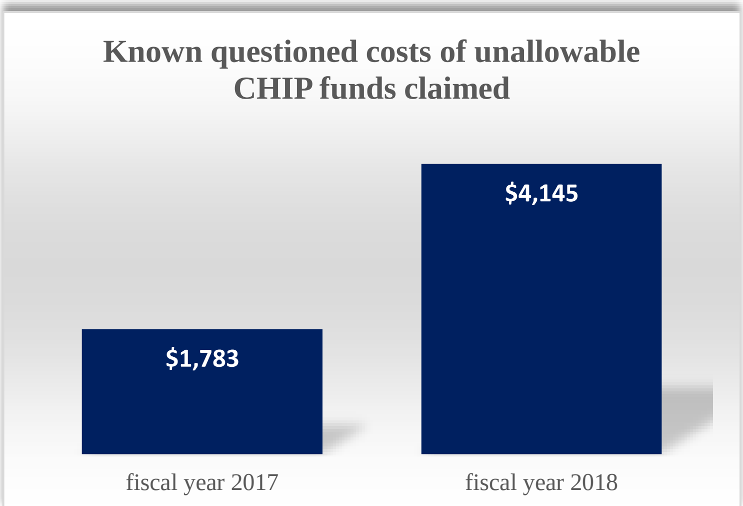
The Eligibility System is configured to accept changes to self-attested household income in Health Plan Finder during the certification period, but it is not updated to adequately determine eligibility for additional CHIP federal funds.

While the Authority fixed the previously identified issues around RAC assignment to ProviderOne in July 2017 the journal vouchers that were processed during the audit period included claims that were paid before the solution was implemented. For clients tested, eligibility determinations made after July 2017 were accurately determined and did not result in question costs.

The post-eligibility review is not designed to capture updates to household income when it falls below 133 percent of the federal poverty level, making those claims unallowable for the additional CHIPS funds.

Effect of Condition and Questioned Costs

We used a statistical sampling method to randomly select and examine 86 clients of a total population of 242,835 who had a RAC code of 1204 and had paid fee-for-service and managed care claims with an allocation code of 3MXA during the period the claim was made for. We reviewed each client's federal poverty level and age at the time of service to determine if the claim was allowable for the additional CHIP match.



We found that for 14 clients, claims of $3,293 in additional CHIP federal funds were unallowable. Additionally, we found that for three clients, claims of $852 should have been charged to the CHIP grant because they were not eligible for Medicaid.

When we project the results to the entire population of Authority claims, we estimate the total improper payments to be $12,053,321.

Known questioned costs for fiscal year 2018 increased from $1,783 to $4,145 due to the increased amount of additional CHIP claims submitted during the year. In fiscal year 2017, the Authority was unsure of the status of the CHIP program and maintained a conservative approach when it drew down additional CHIP funds.

Projection to population	Known questioned costs – federal share*	Likely improper payments – federal share*
Claims not allowable for additional CHIP funds	$3,293	$9,778,900
Claims not allowable for Medicaid funds	$852	$2,274,421
Total expenditures	$4,145	$12,053,321

**Note: CHIP claims do not have a State match*

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our "best estimate of total questioned costs" as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

Recommendations

We recommend the Authority:

- Continue to implement procedures to ensure additional CHIP funds are claimed only for eligible expenditures
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs and improper payments identified in the audit should be repaid

Authority's Response

The Authority does not agree with the SAO's Description of Condition, Cause of Condition, Effect of Condition, or the estimated amount of improper payments. The Authority agrees with the actual questioned cost amount of $3,293.

The questioned costs were due to a system issue identified during the 2016 audit. Certain RAC codes were not updating in ProviderOne when specific elements were missing during the annual renewal process. This RAC assignment issue was corrected in July of 2017. We appreciate that the SAO is required to question the costs identified since the correction occurred after the beginning of the audit period (July 1, 2017).

The Authority is concerned that the SAO may not have an understanding of the program sufficient to accurately assess the control structure. While the Authority agrees there were some ineligible costs, the cause of those instances was not due to PERs not being conducted as required and approved by CMS.

The Authority will consult with its grantor to resolve the $4,145 in unallowable charges.

Auditor's Concluding Remarks

During our fieldwork, we confirmed the Authority did not have a monitoring or review process to ensure it only claimed CHIP funds for allowable Medicaid payments made for eligible children. In addition to a system error which incorrectly assigned the RAC codes to ineligible clients, the lack of monitoring resulted in the Authority claiming CHIP funds for unallowable Medicaid payments.

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.403 Factors affecting Allowability of costs.

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the sample purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).

(g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2017*, Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster,* states in part:

General Audit Approach for Medicaid Payments

To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State's documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

42 U.S. Code §1397ee. Payments to States, states in part:

(g) Authority for qualifying states to use certain funds for Medicaid expenditures. -

(1) State option.—

(A) In general.—Notwithstanding any other provision of law subject to paragraph (4), a qualifying State (as defined in paragraph (2)) may elect to use not more than 20 percent of any allotment under section 1397dd of this title for fiscal year 1998, 1999, 2000, 2001, 2004, 2005, 2006, 2007, or 2008 (insofar as it is available under subsections (e) and (g) of such section) for payments under subchapter XIX of this chapter in accordance with subparagraph (B), instead of for expenditures under this subchapter .

(B) Payments to states.—

(i) In In general.—In the case of a qualifying State that has elected the option described in subparagraph (A), subject to the availability of funds under such subparagraph with respect to the State, the Secretary shall pay the State an amount each quarter equal to the additional amount that would have been paid to the State under subchapter XIX of this chapter with respect to expenditures described in clause (ii) if the enhanced FMAP (as determined under subsection (b) of this section) had been substituted for the Federal medical assistance percentage (as defined in section 1396d(b) of this title).

(ii) Expenditures described.—For purposes of this subparagraph, the expenditures described in this clause are expenditures, made after August 15, 2003, and during the period in which funds are available to the qualifying State for use under subparagraph (A), for medical assistance under subchapter XIX of this chapter to individuals who have not attained age 19 and whose family income exceeds 150 percent of the poverty line.

(iii) No impact on determination of budget neutrality for waivers.—In the case of a qualifying State that uses amounts paid under this subsection for expenditures described in clause (ii) that are incurred under a waiver approved for the State, any budget neutrality determinations with respect to such waiver shall be determined without regard to such amounts paid.

(2) Qualifying state.—In this subsection, the term "qualifying State" means a State that, on and after April 15, 1997, has an income eligibility standard that is at least 184 percent of the poverty line with respect to any 1 or more categories of children (other than infants) who are eligible for medical assistance under section 1396a(a)(10)(A) of this title or, in the case of a State that has a statewide waiver in effect under section 1315 of this title with respect to subchapter XIX of this chapter that was first implemented on August 1, 1994, or July 1, 1995, has an income eligibility standard under such waiver for children that is at least 185 percent of the poverty line, or, in the case of a State that has a statewide waiver in effect under section 1315 of this title with respect to subchapter XIX of this chapter that was first implemented on January 1, 1994, has an income eligibility standard under such waiver for children who lack health insurance that is at least 185 percent of the poverty line, or, in the case of a State that had a statewide waiver in effect under section 1315 of this title with respect to subchapter XIX of this chapter that was first implemented on October 1, 1993, had an income eligibility standard under such waiver for children that was at least 185 percent of the poverty line and on and after July 1, 1998, has an income eligibility standard for children under section 1396a(a)(10)(A) of this title or a statewide waiver in effect under section 1315 of this title with respect to subchapter XIX of this chapter that is at least 185 percent of the poverty line.

(3) Construction.—Nothing in paragraphs (1) and (2) shall be construed as modifying the requirements applicable to States implementing State child health plans under this subchapter.

(4) Option for allotments for fiscal years 2009 through 2015.—

(A) Payment of enhanced portion of matching rate for certain expenditures.—In the case of expenditures described in subparagraph (B), a qualifying State (as defined in paragraph (2)) may elect to be paid from the State's allotment made under section 1397dd of this title for any of fiscal years 2009 through 2015 (insofar as the allotment is available to the State under subsections (e) and (m) of such section) an amount each quarter equal to the additional amount that would have been paid to the State under subchapter XIX with respect to such expenditures if the enhanced FMAP (as determined under subsection (b)) had been substituted for the Federal medical assistance percentage (as defined in section 1396d(b) of this title).

(B) Expenditures described.—For purposes graph (A), the expenditures described in this subparagraph are expenditures made after February 4, 2009, and during the period in which funds are available to the qualifying State for use under subparagraph (A), for the provision of medical assistance to individuals residing in the State who are eligible for medical assistance under the State plan under subchapter XIX or under a waiver of such plan and who have not attained age 19 (or, if a State has so elected under the State plan under subchapter XIX, age 20 or 21), and whose family income equals or exceeds 133 percent of the poverty line but does not exceed the Medicaid applicable income level.

2018-049 The Health Care Authority made improper payments for Medicaid managed care recipients with Medicare insurance coverage.

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.775 State Medicaid Fraud Control Units 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare 93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT
Applicable Compliance Component:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Known Questioned Cost Amount:	$3,762,678

Background

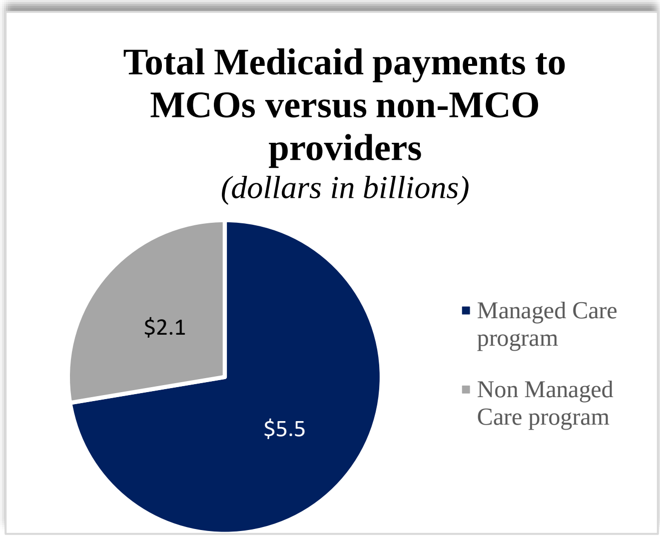
Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

The Health Care Authority (Authority), the state's Medicaid agency, administers Washington's managed-care program. Managed care is a prepaid, comprehensive system of medical and health care delivery, including preventive, primary, specialty and ancillary health care services. The program is designed to reduce the cost of providing health benefits, improve the quality of care and deliver health care to clients. The State contracts with health insurance plans, known as managed-care organizations, to cover the costs of Medicaid client claims.

The Authority pays managed-care organizations a uniform, pre-determined per-enrollee monthly premium to cover medical costs for Medicaid eligible clients. In Washington, certain client groups are excluded from managed care, including clients who are eligible to receive Medicare.

According to Washington's Medicaid state plan, Medicare recipients should not be enrolled in managed care, and any monthly premium payments made for Medicare recipients are unallowable.

In fiscal year 2018, the state Medicaid program paid about $5.5 billion in managed-care premiums on behalf of over 1.8 million Medicaid clients.



In the previous audit, we reported the Authority made improper managed care premium payments to Medicaid clients with Medicare insurance coverage. The prior finding number was 2017-039.

Description of Condition

We found the Authority had adequate internal controls to materially ensure it did not make improper payments to managed-care organizations.

We obtained Medicare coverage information from the Authority for all Medicaid-eligible clients. Using computer assisted auditing techniques, we tested to determine if the Authority made monthly managed care premium payments for clients during the same time period when the client's Medicare coverage was effective.

We found 8,753 improper premium payments made on behalf of 5,620 clients who had Medicare coverage during the same month as their monthly, managed care premium payment. The Authority paid $5,806,346 to the managed-care organizations serving these clients.

Because the questioned costs identified by the audit exceeded $25,000, federal regulations require the auditor to issue a finding.

Cause of Condition

The Authority had automated processes in place in ProviderOne, the state's Medicaid Management Information System, designed to materially detect clients with Medicare coverage to prevent payments to managed-care organizations for those clients. However, these processes did not prevent or detect all unallowable premium payments.

In its corrective action plan for the prior audit finding, the Authority listed corrective measures it planned to implement during the audit period, including enhancements to ProviderOne to automate the recoupment of managed care premiums for clients who are retroactively enrolled in Medicare. The Authority estimated to complete this action by April 2018. We confirmed this was not completed until June 2018.

The Authority began performing post-payment reviews in March 2016 to detect improper managed-care premiums paid to Medicare recipients during the audit period. The Authority's most recent review began in November 2017. The Authority recovered payments identified during this review in May 2018, however, the review did not address all managed care premium payments that occurred during the audit period.

Effect of Condition and Questioned Costs

Payments that are duplicative or made to an ineligible recipient are unallowable and cannot be claimed for federal reimbursement. As seen in the following table, the federal share of the improper payments totaled $3,762,678.

Client group	Number of clients	Number of premiums paid	Known questioned costs	Federal share of known questioned costs
Clients with Medicare Part A (hospital) and Part B (physician) coverage	4,900	8,008	$5,231,962	$3,393,825
Clients with Medicare Part C (Medicare Advantage Plan) coverage	720	745	$574,384	$368,853
Total	**5,620**	**8,753**	**$5,806,346**	**$3,762,678**

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

Recommendations

We recommend the Authority:

- Recoup overpayments made to managed-care organizations identified in the audit
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs identified in the audit should be repaid

Authority's Response

As noted by the State Auditor's Office, the Authority is currently identifying any duplicate per member per month (PMPM) premium payments for clients enrolled in Medicare. The Authority developed an algorithm to identify these duplicate PMPM premium payments in March 2016. Enhancements made to the MMIS/ProviderOne system to automate recoupment of PMPM premiums for clients who are retro-enrolled in Medicare went live on June 8, 2018.

The Authority has run an algorithm identifying all duplicate PMPM premium payments for clients enrolled in Medicare, including the questioned costs, during the gap period from the last algorithm run in November 2017 and the go live system enhancement date of June 8, 2018. These duplicate PMPM premium payments will be recouped by May 31, 2019.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.403 Factors affecting Allowability of costs.

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the sample purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).

(g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

Section 433.300 Basis.

This subpart implements -

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.

(b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance, states in part:

(a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.

(b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

(c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -

(1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;

(2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or

(3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2017, *Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster*, states in part:

General Audit Approach for Medicaid Payments

To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State's documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

Title 42 U.S. Code of Federal Regulations Chapter 7, Social Security, Subchapter XIX – Grants to States For Medical Assistance Programs, § 1396u-2 – Provisions relating to managed care, states in part:

(a) State Option to Use Managed Care

(2) Special Rules

(B) Exemption of medicare beneficiaries.

A state may not require under paragraph (1) the enrollment in a managed care entity of an individual who is a qualified medicare beneficiary (as defined in section 1396d(p)(1) of this title) or an individual otherwise eligible for benefits under subchapter XVIII.

The Health Care Authority, Apple Health Managed Care Contract, Section 4.3 – "Eligible Client Groups" states in part:

Clients in the following eligibility groups at the time of enrollment are eligible for enrollment under this Contract.

4.3.6 Categorically Needy – Blind and Disabled Children and Adults who are not eligible for Medicare.

Medicaid State Plan, Scope of Care and Types of Services, Attachment 3.1 F Part 2, Apple Health Managed Care, E. Populations and Geographic Area, states in part:

2. Voluntary Only or Excluded Populations. Under this managed care authority, some populations cannot be subject to mandatory enrollment in an MCO, PCCM, or PCCM entity (per 42 CFR 438.50(d)).

   Please indicate if any of the following populations are excluded from the program, or have only voluntary enrollment (even if they are part of an eligibility group listed above in E.1. as having mandatory enrollment):

Population	**Citation (Regulation [42 CFR] or**	**Voluntary**	**Excluded**	**Geographic Area**	**Notes**
Medicare Savings Program – Qualified Medicare Beneficiaries, Qualified Disabled Working Individuals, Specified Low Income Medicare Beneficiaries, and/or Qualifying Individuals	1902(a)(10)(E), 1905(p), 1905(s) of the SSA		X		Not currently eligible for Medicaid Managed Care

2018-050 **The Department of Social and Health Services, Aging and Long-Term Support Administration, made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Activities Allowed/Unallowed Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$325,468 ($259,385 - Personal care and transportation services) ($66,083 - Associated costs)	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

The Aging and Long-Term Support Administration within the Department of Social and Health Services (Department) offers personal care services to support Medicaid clients in community settings through the Community First Choice program. The Department uses an assessment to evaluate a client's support needs and to calculate the number of personal care hours the client needs to successfully live in the community. Individual providers contract with the Department to provide personal care services to clients.

In fiscal year 2018, the state Medicaid program paid about $607 million to Aging and Long-Term Support Administration's contracted Community First Choice individual providers who provided personal care and transportation services.

Individual providers are paid an hourly rate for providing personal care and a mileage rate for providing transportation services to their clients. Individual providers use the Department's Individual ProviderOne system to invoice the Department for their hourly service and mileage claims. At times, a Medicaid client may be hospitalized or temporarily admitted to a long-term care facility, which the Health Care Authority (Authority) is responsible to pay for. In those cases, individual providers are not allowed to bill for services because Medicaid pays the hospital or care facility for the client's care while admitted to the facility.

In fiscal years 2016 and 2017, we found the Department made improper Medicaid payments to individual providers when clients were hospitalized or in a long-term care facility. In 2016, we issued finding number 2016-048. In fiscal year 2017, we did not issue a finding because we could not determine whether the duplicate expenditures were individual provider billing errors or hospital or long-term care facility billing errors.

Description of Condition

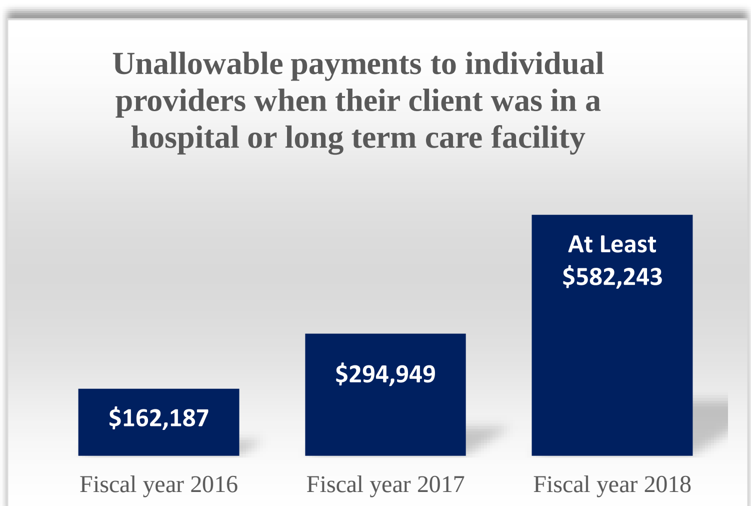
We found the Department had established adequate internal controls to ensure it was in material compliance with allowable costs over payments to individual providers.

However, we found the Department made unallowable payments to some individual providers who claimed payment for personal care and transportation services while their client was either hospitalized or admitted to a long-term care facility.

Because the questioned costs identified by the audit exceeded $25,000, federal regulations requires the auditor to issue a finding.

Cause of Condition

The Department did not have a process or a system edit in place to prevent unallowable claims or to detect these payments after the unallowable claims were made.



Effect of Condition and Questioned Costs

In the current audit we identified at least $582,243 was improperly paid to providers.

We provided the results of our tests to the Department in October 2018, but it did not verify whether the unallowable payments were made to the individual provider or the hospital/long-term care facility. Our calculation of the unallowable payments was based on payments to the individual providers. If the Department determines any of the unallowable payments were made to a hospital or long-term care facility, the amount of the question costs would be higher. In those instances, the Authority would be responsible for collecting provider overpayments and refunding improper Medicaid payments to the grantor.

In the prior two audits, we reported the unallowable payments to individual providers increased. In addition, the Department has not followed up on exceptions identified in the prior year audits.

We are questioning $259,386, which is the federal portion of the unallowable payments for personal care and transportation services.

When unallowable payments are identified, federal regulations suggest auditors consider if associated costs, such as benefits, were also paid. The Department pays payroll tax and health care, training and retirement fringe benefits on behalf of Community First Choice providers that are considered associated costs.

We are also questioning at least $66,083, which is the federal portion of the unallowable payments related to associated costs. The Department contracts with a vendor that manages IPOne. The system is currently unable to make overpayment adjustments and until the issue is resolved, the Department will not know the exact amount of associated costs to refund the grantor. In addition, the system has been unable to correctly calculate State Unemployment Tax Act (SUTA) taxes since it began processing payroll on April 1, 2016.

Description	Total known questioned costs	Known questioned costs – federal portion only
Personal care and transportation claims	$464,238	$259,385
Associated costs	$118,005	$66,083
Total	**$582,243**	**$325,468**

The statistical sample used for testing in parts of the fiscal year 2018 Medicaid audit was used to test compliance with other activities allowed requirements. Because some unallowable payments we examined violated multiple areas of activities allowed some of the questioned costs reported here might also be reported in finding numbers 2018-051, 2018-055, 2018-056, 2018-059, and 2018-060.

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

Recommendations

We recommend the Department:

- Follow-up on the improper Medicaid claims identified by the audit. In some cases, the Department may need to consult with the Authority to determine the individual provider or facility was improperly paid
- Identify all associated costs related to the unallowable payments for personal care services
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs identified in the audit should be repaid

Department's Response

The Department partially concurs with this finding.

The Department concurs that unallowable payments were made, but it is not known whether payments were incorrectly claimed by the individual provider rather than the hospital or nursing facility. The SAO stated in fiscal year 2017 that it "did not issue a finding because we could not determine whether the duplicate expenditures were individual provider billing errors or hospital or long-term care facility billing errors." For this year's 2018 audit, the SAO used the same audit methodology and issued a finding without explaining a rationale as to how they were able to determine who made the billing error or why these errors were attributed to the Department.

To address the unallowable payments the Department created a report in October of 2018 to identify payments made to all provider types for in-home personal care and mileage services while the client was in the hospital or in a long-term care facility. In November of 2018, a new Washington Management System position was created and an employee was hired to complete the payment analysis and coordinate remediation with field contacts. Reviewing, tracking and processing of these findings began late January 2019.

The Department will analyze the payments in question and consult with the Health Care Authority to determine which entity is responsible for the unallowable payments. If any unallowable payments are determined to be the Department's responsibility, the Department will begin the process of issuing overpayments to its identified providers. Individual provider overpayment functionality in the IPOne payment system is currently in testing and targeted for implementation to the field May 2019. Once overpayments are completed, if necessary, the Department will consult with the Department of Health and Human Services to discuss remaining questioned costs.

Auditor's Concluding Remarks

We used the same methodology in the 2017 and 2018 audits to identify instances when payments to individual providers were made when clients were hospitalized or in long-term care facilities. For this audit, we provided the duplicate payment data to the Department for its review early on in the audit and provided ample time for it to review the results. We received confirmation from the Department that it concurred with the exceptions.

Because the questioned costs identified in the audit were at least $25,000, federal regulations require us to issue an audit finding.

During the audit period, the Department had not implemented an internal control to detect and prevent duplicate payments. We reaffirm our finding and will review the status of the Department's corrective action during our next audit.

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states in part:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.403 Factors affecting Allowability of costs.

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the sample purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).

(g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers states in part:

Section 433.300 Basis.

This subpart implements -

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.

(b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

(a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.

(b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

(c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -

(1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;
(2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or
(3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.

(d) *Overpayments resulting from fraud.*
(1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.
(2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.
(3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

(e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.

(f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:
(1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.

(2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.

(g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

(h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2017, *Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster*, states in part:

General Audit Approach for Medicaid Payments

To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State's documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

2018-051 The Department of Social and Health Services, Developmental Disabilities Administration, made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Activities Allowed/Unallowed Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$34,510 ($27,473 – Personal care and transportation services) ($7,037 – Associated costs)	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

The Developmental Disabilities Administration within the Department of Social and Health Services (Department) offers personal care services to support Medicaid clients in community settings through the Community First Choice program. The Department uses an assessment to evaluate a client's support needs and to calculate the number of personal care hours the client needs to successfully live in the community. Individual providers contract with the Department to provide personal care services to clients.

In fiscal year 2018, the state Medicaid program paid about $272 million to Developmental Disabilities Administration's contracted Community First Choice individual providers who provided personal care and transportation services.

Individual providers are paid an hourly rate for providing personal care and a mileage rate for providing transportation services to their clients. Individual providers use the Department's Individual ProviderOne (IPOne) system to invoice the Department for their hourly service and mileage claims. At times, a Medicaid client may be hospitalized or temporarily admitted to a long-term care facility. Individual providers are not allowed to bill for services provided to the client during the period of their admission because Medicaid funding is used by the Health Care Authority (Authority) to pay the hospital or care facility for the client's care during this period of time.

This condition was not reported in the prior audit.

Description of Condition

We found the Department established adequate internal controls to ensure payments to individual providers were materially allowable.

However, we found the Department made unallowable payments to some individual providers who claimed payment for personal care and transportation services when a Medicaid client was either hospitalized or admitted to a long-term care facility.

Because the questioned costs identified by the audit exceeded $25,000, federal regulations require the auditor to issue a finding.

Cause of Condition

The Department did not have a process or system edit in place to prevent the unallowable claims or to detect the payments after the unallowable claims were made.

Effect of Condition and Questioned Costs

We compared claims made by individual providers with claims made by hospitals and long-term care facilities for inpatient services to determine if duplicate claims were paid on the same date of service. We provided the results of our test to the Department, and it reviewed the results. We worked with the Authority on claims the Department believed could have been attributed to inaccurate billing by a hospital or long-term care facility.

After the reviews, the Department confirmed that at least $49,121 was improperly paid to providers for personal care and transportation services. No improper claims were made by hospitals or long-term care facilities.

We are questioning $27,473, which is the federal portion of the unallowable payments for personal care and transportation services.

When unallowable payments are identified, federal regulations suggest auditors consider if associated costs, such as benefits, were also paid. The Department pays payroll tax and health care, training and retirement fringe benefits on behalf of Community First Choice providers that are considered associated costs.

We are also questioning at least $7,037, which is the federal portion of the unallowable payments related to associated costs. The Department contracts with a vendor that manages IPOne. The system is currently unable to make overpayment adjustments and until the issue is resolved, the Department will not know the exact amount of associated costs to refund the grantor. In addition, the system has been unable to correctly calculate State Unemployment Tax Act (SUTA) taxes since it began processing payroll on April 1, 2016.

Description	Total know questioned costs	Known questioned costs – federal portion only
Personal care and transportation claims	$49,121	$27,473
Associated costs	$12,567	$7,037
Totals	**$61,688**	**$34,510**

The statistical sample used for testing in parts of the fiscal year 2018 Medicaid audit was used to test compliance with other activities allowed requirements. Because some unallowable payments we examined violated multiple areas of activities allowed some of the questioned costs reported here might also be reported in finding numbers 2018-050, 2018-055, 2018-056, 2018-059, and 2018-060.

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

Recommendations

We recommend the Department:

- Identify all associated costs related to the unallowable payments for personal care services
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs identified in the audit and associated costs should be repaid.

Department's Response

The Department concurs with the finding.

To address the unallowable payments the Department will enhance monitoring procedures for identifying unallowable payments. The Department will work with the federal grantor to determine if any costs charged to Medicaid fund must be reimbursed.

The Department would also like to note, that SAO stated in fiscal year 2017 that it "did not issue a finding because we could not determine whether the duplicate expenditures were individual provider billing errors or hospital or long-term care facility billing errors." For this year's 2018 audit, the SAO used the same audit methodology and issued a finding without explaining a rationale as to how they were able to determine who made the billing error or why these errors were attributed to the Department.

Auditor's Concluding Remarks

During the fiscal year 2017 audit, we issued an exit item to the Developmental Disabilities Administration related to this audit area because known questioned costs were not greater than $25,000.

We used the same methodology in the 2017 and 2018 audits to identify instances when payments to individual providers were made when clients were hospitalized or in long-term care facilities. For this audit, we provided the data to the Department and asked it to review the duplicate payments. For those claims that the Department could not determine if a facility inaccurately billed or if the individual provider inaccurately billed, we worked with the Department and the Authority to follow up on those claims. Our work with the Authority found supporting admission and discharge documentation from the hospitals that indicated the clients were hospitalized during the time the individual providers claimed payment.

Because the questioned costs identified in the audit were at least $25,000, federal regulations require us to issue an audit finding.

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states in part:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.403 Factors affecting Allowability of costs.

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the sample purpose in like circumstances has been allocated to the Federal award as an indirect cost.
(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
(g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

(a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  (3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers states in part:

Section 433.300 Basis.

This subpart implements -
  (a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.
  (b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to

recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

(a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.

(b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

(c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -

(1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;

(2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or

(3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.

(d) *Overpayments resulting from fraud.*

(1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.

(2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

(3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or

appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

(e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.

(f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:

(1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.

(2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.

(g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

(h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2017, *Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster,* states in part:

General Audit Approach for Medicaid Payments

To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State's documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

2018-052 **The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls and did not comply with survey requirements for Medicaid intermediate care facilities.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Special Tests and Provisions – Provider Health and Safety Standards	
Known Questioned Cost Amount:	None	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $13.2 billion in federal and state funds during fiscal year 2018.

Residential Care Services, under the Department of Social and Health Services (Department), Aging and Long-Term Support Administration, is the State's Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) survey agency. An ICF/IID is an institution with the primary purpose of providing health or rehabilitation services to people with intellectual disabilities or related conditions that receive care and services under Medicaid. There are 11 ICF/IID facilities that are Medicare and/or Medicaid certified in Washington.

The Department is required to perform an annual certification survey of each ICF/IID. The certification survey is a resident-centered inspection that gathers information about the quality of service provided in a facility to determine compliance with the participation requirements. The survey focuses on the facility's administration and patient services, as well as the outcome of the facility's implementation of ICF/IID active treatment services. The survey also assesses compliance with federal health, safety and quality standards designed to ensure patients receive safe and quality care services.

The State must complete a standard survey for each ICF/IID facility within 15.9 months after the previous survey, and the statewide average for all ICF/IID facilities must not exceed 12.9 months for all ICF/IID facilities, as required by Centers for Medicare and Medicaid Services (CMS). If a survey uncovers deficiencies, the Department must mail a Statement of Deficiency to the facility within 10 working days of the survey date. The facility must submit a Plan of Correction that the Department determines is acceptable within 60 calendar days of receipt or risk forfeiting its Medicaid certification.

In fiscal year 2018, the state Medicaid program spent about $17.4 million to survey and certify healthcare providers – $8.9 million was spent to certify ICF/IID facilities.

In prior audits, we reported the Department did not have adequate internal controls to ensure timely conducting of surveys and following up on deficiencies. The prior finding numbers were 2017-042, 2016-037, 2015-045, and 2014-046.

Description of Condition

The Department's Aging and Long-Term Support Administration did not have adequate internal controls over and did not comply with survey requirements for Medicaid intermediate care facilities.

We found the Department did not adequately monitor ICF/IID facilities to ensure that all recertification surveys were completed promptly.

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

Cause of Condition

The facility survey that occurred after the required due date was the result of outstanding noncompliance with Conditions of Participation by the facility. During the prior certification survey, the Department cited the facility for two condition-level deficiencies and the Department had imposed a Denial of Payment for New Admissions as an enforcement action. This matter was not considered to be resolved until a follow-up survey conducted in March 2018 determined the facility was complying with conditions for participation. The next annual recertification survey for this facility was due in April 2018. However, during this time the facility had been subject to multiple surveys and the Department did not have staff available to schedule the certification survey because of other scheduling conflicts.

Effect of Condition

We examined all 11 certification surveys completed during the audit period and found one instance (9 percent) when the Department failed to complete the certification survey within 15.9 months of the previous certification survey. The Department did not materially comply with federal requirements for completing recertification surveys in a timely manner.

When surveys are not conducted timely, the state is paying the facilities for services provided to Medicaid clients without assurance they are in compliance with federal and state health standards and regulations.

Recommendation

We recommend the Department establish adequate internal controls to ensure it complies with facility survey timeliness requirements.

Department's Response

The Department partially agrees with the finding.

The Department has an established internal control that tracks when recertification surveys were completed and when recertification surveys are due. The ineffectiveness of the internal control was not what caused the recertification to be completed late. The Department concurs the recertification survey was not completed within the required 15.99 timelines. This facility, (Facility A) was imposed with a Denial of Payment for new admissions remedy from a prior recertification survey (12/7/2016) resulting from non-compliance with Conditions of Participation (COP). After the Department received this facility's credible allegation of compliance letter on 1/15/2018, the Department conducted two re-survey visits and subsequently put them back in compliance on 3/28/2018. Their next recertification survey, due no later than 4/4/2018, was completed on 5/23/2018.

The Department made an executive decision to prioritize a recertification survey at another facility (Facility B) that had been out of substantial compliance with a COP placing clients' safety and welfare at risk, versus completing the recertification for Facility A, which was recently put back in compliance on 3/28/18. The recertification survey for Facility B completed on 4/19/2018, lead to the facility being out of compliance, resulting in a recommendation for termination.

In addition to continuous monitoring of the survey tracking tool, the Department will request assistance from certified ICF/IID surveyors from other units within Residential Care Services and the Centers for Medicare and Medicaid Services, if necessary, to ensure compliance with survey intervals.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

> Section 200.303 Internal controls, states in part:
> The non-Federal entity must:
>
> (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

Title 42 U.S. Code of Federal Regulations, Part 442, Standards for Payment to Nursing Facilities and Intermediate Care Facilities for Individuals with Intellectual Disabilities, states in part:

Section 442.109 – Certification period for ICF/IIDs: General Provisions

(a) A survey agency may certify a facility that fully meets applicable requirements. The State Survey Agency must conduct a survey of each ICF/IID not later than 15 months after the last day of the previous survey.

Title 42 U.S. Code of Federal Regulations, Part 488, Survey, Certification, and Enforcement Procedures, states in part:

Section 488.28 – Providers or suppliers, other than Skilled Nursing Facilities (SNFs), Nursing Facilities (NFs), and Home Health Agencies (HHAs) with deficiencies

(a) If a provider or supplier is found to be deficient in one or more of the standards in the conditions of participation, conditions for coverage, or conditions for certification or requirements, it may participate in, or be covered under, the Medicare program only if the provider or supplier has submitted an acceptable plan of correction for achieving compliance within a reasonable period of time acceptable to CMS. In the case of an immediate jeopardy situation, CMS may require a shorter time period for achieving compliance.

(b) The existing deficiencies noted either individually or in combination neither jeopardize the health and safety of patients nor are of such character as to seriously limit the provider's capacity to render adequate care.

(c) (1) If it is determined during a survey that a provider or supplier is not in compliance with one or more of the standards, it is granted a reasonable time to achieve compliance.

(2) The amount of time depends upon the -

(i) Nature of the deficiency; and

(ii) State survey agency's judgment as to the capabilities of the facility to provide adequate and safe care.

(d) Ordinarily a provider or supplier is expected to take the steps needed to achieve compliance within 60 days of being notified of the deficiencies but the State survey agency may recommend that additional time be granted by the Secretary in individual situations, if in its judgment, it is not reasonable to expect compliance within 60 days, for example, a facility must obtain the approval of its governing body, or engage in competitive bidding.

The Centers for Medicare and Medicaid Services, State Operations Manual, Chapter 2 – The Certification Process, states in part:

2138G – Schedule for Recertification
(Rev. 91, Issued: 09-27-13, Effective: 09-27-13, Implementation: 09-27-13)
The SA completes a recertification survey an average of every 12 months and at least once every 15 months (see §2141).

2141 – Recertification – ICFs/IID
(Rev. 91, Issued: 09-27-13, Effective: 09-27-13, Implementation: 09-27-13)

- The regulation at §442.15 provides that provider agreements for ICF/IID's would remain in effect as long as the facility remains in compliance with the Conditions of Participation (COP's). Regulations at §442.109 through §442.111.
- Beginning on May 16, 2012, ICF/IID's are no longer subject to time-limited agreements. However, they are to be surveyed for re-certification an average of every 12 months and at least once every 15 months.
- If during a survey the survey agency finds a facility does not meet the standards for participation the facility may remain certified if the survey agency makes two determinations – The facility may maintain its certification if the survey agency finds Immediate Jeopardy doesn't exist, and if the facility provides an acceptable plan of correction.
- An ICF/IID may be decertified under procedures outlined in Section 3012 of the State Operations Manual. More specifically, a facility may be decertified if an immediate jeopardy finding remains unabated after 23 days or if it fails to regain compliance with conditions of participation after 90 days.

ICF/IID's will be subject to survey an average of every 12 months and at least every 15 months, the same period that is applied to Nursing Homes.

The Department of Social and Health Services, Residential Care Services Division *Standard Operating Procedure: Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) – Plan of Correction, states in part:*

The Department will review the POC within five working days of receipt and will verify if the POC is acceptable.
<u>Procedure</u>
B. Off-site POC Review – the ICF program staff will:

1. Review the POC within five working days of receipt and confirm the POC for each deficiency includes:
   a. How the facility will correct the deficiency as it relates to the resident;
   b. How the facility will act to protect residents in similar situations;
   c. Measures the facility will take or the systems it will alter to ensure that the problem does not recur;

d. How the facility plans to monitor its performance to make sure that solutions are sustained;
e. Dates when the corrective action will be completed (no more than 45 days from the last day of inspection for an ICF/IID that carries an Assisted Living or Nursing Home license and 60 days for a state Residential Habilitation Center (RHC));
f. The title of the person or persons responsible to ensure correction for each deficiency

2018-053 **The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure it complied with survey requirements for Medicaid nursing home facilities.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Special Tests and Provisions – Provider Health and Safety Standards	
Known Questioned Cost Amount:	None	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

The state Medicaid program spent about $17.3 million to certify health care providers, including hospitals, home health agencies, intermediate care facilities, and nursing facilities in fiscal year 2018. Of this amount, the Department of Social and Health Services (Department) spent about $6.6 million certifying nursing facilities. The State had 222 nursing facilities that were Medicare and/or Medicaid certified.

Residential Care Services, under the Department's Aging and Long-Term Support Administration, is the state nursing home survey agency for Washington.

The survey for certifying a nursing facility is a resident-centered inspection that gathers information about the quality of service furnished in a facility to determine compliance with the requirements for participation. The survey focuses on the nursing home's administration and patient services. The survey also assesses compliance with federal health, safety and quality standards designed to ensure patients receive safe and quality care services.

The Centers for Medicare and Medicaid Services (CMS) requires the state to complete standard surveys within 15.9 months after the previous survey, and the statewide average must not exceed 12.9 months for nursing facilities. If a survey uncovers deficiencies, the Department must deliver a Statement of Deficiency to the facility within 10 working days of the survey date. The facility must then submit a

Plan of Correction that the Department determines is acceptable within 60 calendar days of receipt, or risk forfeiting its Medicaid certification.

In prior audits, we reported the Department did not have adequate internal controls to ensure surveys were conducted timely and that follow-up on deficiencies were conducted in a timely manner. The prior finding numbers were 2017-043, 2016-036, 2015-044 and 2014-046.

Description of Condition

The Department did not have adequate internal controls to ensure it complied with survey requirements for Medicaid nursing home facilities.

The Department complied with federal regulations that require the Department to survey nursing homes every 15.9 months and meet a statewide average of 12.9 months. However, the Department did not ensure all Statement of Deficiencies were submitted to nursing facilities in a timely manner.

We used a statistical sampling method to randomly select and examine 21 of 203 nursing home surveys completed during the audit period. We found two instances (10 percent) when the Department did not deliver Statements of Deficiencies within 10 working days as required.

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

Cause of Condition

In its corrective action plan developed in response to the prior audit finding, the Department listed corrective measures it planned to resolve the internal control deficiency. The Department reported the corrective measures were completed as of February 2018. This audit again identified the Department did not comply with federal requirements, which indicates the corrective action was not entirely effective.

The Department had procedures in place to ensure that standard surveys are completed promptly. It is up to regional field survey and investigative staff to ensure a provider has achieved compliance through follow-up reviews, phone calls and/or visits.

The delays for sending the Statement of Deficiencies were due to regional administrative review of the deficiencies to ensure technical accuracy in the documents, achieving compliance with principles of documentation. With the implementation of the electronic Plan of Correction (ePOC) system in April 2017, the Department electronically distributed Statements of Deficiencies to nursing facilities in addition to submitting a written Statement of Deficiency upon the facility's request. In one case, the field manager responsible for the Nursing Facility Survey Unit attempted to submit the Statement of Deficiencies on the 10th working day after the survey, as required. However, a system outage prevented the Department from sending the Statement of Deficiencies until the following working day, when system functionality was restored.

Effect of Condition

When the Department does not send Statements of Deficiencies in a timely manner, the provider and/or facility cannot begin the development and submission of an acceptable Plan of Correction. This further prevents the Department from following up on deficiencies.

Recommendations

We recommend the Department strengthen internal controls to ensure Statements of Deficiencies are submitted within 10 working days after completing the initial survey.

Department's Response

The Department does not concur with the finding.

The Department does not concur that we do not have adequate internal controls over Statement of Deficiencies (SOD) being mailed by the 10^{th} working day after survey exit. The internal controls that are in place have resulted in a decrease in exceptions from ten exceptions in FY16, to three exceptions in FY17, and two exceptions in FY18.

For one exception, the Electronic Plan of Correction (ePOC) system that the Department uses to deliver SODs to providers failed on the provider end, resulting in the Department manually delivering the SOD on the 11^{th} day. For the second exception, administrative review of the SOD for accuracy resulted in the Department delivering the SOD on the 11^{th} day. Both 11^{th} day deliveries were less than 24 hrs beyond the federal requirement. The providers submitted their plans of correction timely with no impacts from the one-day delay.

System failures and administrative review are acceptable reasons providers may not receive their SODs on the 10^{th} day. Computer technicalities and federal system failures are beyond the control of the Department. Administrative review is necessary to ensure a complete, accurate and appropriate SOD.

The Department has confirmed that the technical difficulties of receiving SODs via ePOC has been resolved for the provider in question. The Department will continue to use internal controls and quality assurance reviews to monitor the timeliness of SOD distribution to providers.

Auditor's Concluding Remarks

There is no latitude in the federal requirement regarding the State's responsibility to issue Statement of Deficiencies within 10 working days of the exit date. The Department issued the Statement of Deficiencies beyond 10 working days of the exit date. The regulations do not give leeway to submit a Statement Deficiency on the 11^{th} day. The regulations do give leeway from day one to day 10.

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

Applicable Laws and Regulations

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

> Section 200.303 Internal controls, states in part:
>
> The non-Federal entity must:
>
> (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
>
> Section 200.516 Audit findings, states in part:
>
> (a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
>
> (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
>
> **Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or

detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

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

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

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

Centers for Medicare and Medicaid Services, State Operations Manual, Chapter 2 – The Certification Process, states in part:

2728 – Statement of Deficiencies and Plan of Correction, Form CMS-2567

The SA mails the provider/supplier a copy of Form CMS-2567 within 10 working days after the survey. If there are deficiencies, the SA allows the provider/supplier 10 calendar days to complete and return the PoC.

2018-054 The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to home care agencies were allowable.

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.775 State Medicaid Fraud Control Units 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare 93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT
Applicable Compliance Component:	Activities Allowed/Unallowed Cost Principles
Known Questioned Cost Amount:	$8,315

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

The Department of Social and Health Services (Department) offers personal care, respite and other services to support Medicaid clients in community settings. The Department uses an assessment to evaluate a client's support needs and to calculate the number of personal care hours the client needs to successfully live in the community.

Clients have two options to choose from for the delivery of their personal care services. One option is to have the services provided by a home care aide who is recruited, trained, employed and supervised by a home care agency. The other option is for the client to recruit, hire and supervise their own provider. This type of employee is referred to as an individual provider.

State law prohibits the Department from paying home care agencies if the agency does not verify employee hours by an electronic timekeeping method. Electronic timekeeping is defined as an electronic, verifiable method of recording an employee's presence with the client at the beginning and end of the employee's client visit.

The Department also has a policy that requires home care agency employees to complete a task list at the end of every visit and requires that list to be initialed by the client or the client's representative to verify the personal care tasks that were provided.

Home care agencies are contracted with the Department through the state's 13 Area Agencies on Aging (AAA). The Department pays AAAs to monitor the home care agencies for contractual compliance in many areas, including verification of time and task performance. The Department monitors the AAAs to ensure they:

- Use the Department's prescribed monitoring tool
- Have written policies and procedures around their monitoring practices
- Conduct annual provider risk assessments
- Annually monitor providers to ensure compliance with applicable laws and regulations
- Test for required provider licenses and certifications
- Have a standard process for handling complaints about providers and follow-up procedures
- Determine if provider corrective action was appropriate and progress toward corrective action was reviewed

The Department paid about $368 million to home care agencies for personal care services provided to clients in fiscal year 2018.

Description of Condition

The Department's Aging and Long-Term Support Administration did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to home care agencies were allowable.

The Department did not adequately monitor the AAAs to ensure home care agencies completed and maintained electronic timekeeping records and task lists to support payments made to home care agencies.

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

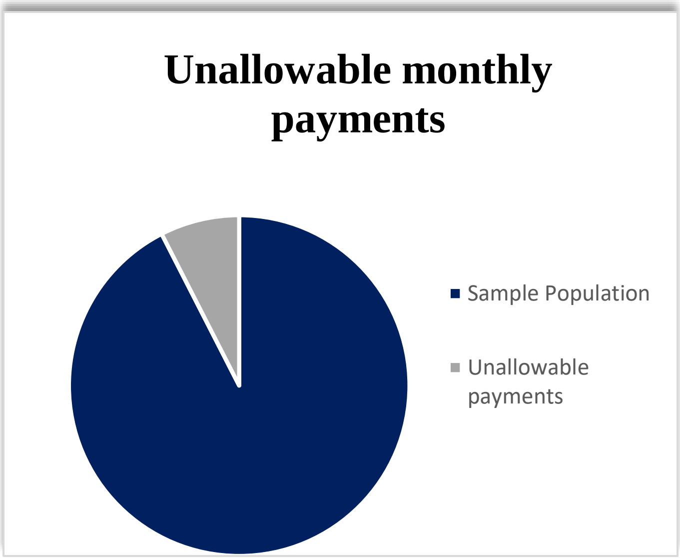
This condition was not reported in the prior audit.

Cause of Condition

The Department did not monitor to the level of detail needed to gain assurance that home care agencies completed and maintained task lists used to verify personal care services were delivered to clients.

Effect of Condition and Questioned Costs

By not ensuring home care agencies complete and maintain adequate supporting documentation for time and task performance for its employees, the Department increases the risk of making improper payments to providers.



Using a statistical sampling method, we randomly selected 86 monthly payments made to home care agencies from a population of 213,543. The cost of these payments totaled $242,876

We requested electronic timekeeping records and task lists from home care agencies for each day during the selected months.

We found seven of the 86 monthly payments were not supported by adequate documentation.

Specifically, we found:

- 25 instances when a daily payment (one month) was not supported by an electronic timekeeping record and the hours paid were not supported
- 28 instances when a daily payment was not supported by a task list
- 62 instances when a daily task list was not signed by the client or their representative indicating services were received

These instances included a home care agency that claimed 25 daily payments during one month but subsequently closed and did not respond to our request for supporting documentation.

The cost of the daily payments that were not supported by adequate documentation was $14,849. The federal share of these questioned costs was $8,315. Because a statistical sampling method was used to select the payments we examined, we estimate the likely improper payments to be $34,029,614. The federal share of the likely improper payments is $19,056,584.

	Known questioned costs	Likely improper payments
Federal expenditures	$8,315	$19,056,584
State expenditures	$6,533	$14,973,030
Total expenditures	**$14,849**	**$34,029,614**

The statistical sample used for testing was also used to test compliance with other activities allowed requirements. Because some unallowable payments we examined violated multiple areas of activities allowed some of the questioned costs reported here might also be reported in finding numbers 2018-059 and 2018-060.

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

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our "best estimate of total questioned costs" as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

Recommendations

We recommend the Department:

- Improve its monitoring of AAAs to ensure home care agencies maintain required documentation to support payments
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs identified in the audit should be repaid

Department's Response

The Department partially concurs with the finding.

The Department concurs that there were 25 instances when a daily payment was not supported by an electronic timekeeping record due to the home care agency closing and not responding to the request. The Department will modify the tool it utilizes to monitor AAAs to specifically review that AAAs are monitoring home care agency's compliance with electronic timekeeping contractual requirements.

The Department agrees that there were missing, or no initials on task sheets, but does not concur with the SAO's conclusion that this should result in questioned cost as task sheets are not required by federal or state law. Task sheets are required by the home care agency contract and are used to document what tasks were completed during the provider's shift. If tasks sheets are not completed the home care agency will be required to develop a corrective action plan.

The Department will work with AAA contract management staff to request corrective action plans from home care agencies that are noncompliant with contractual requirements.

Auditor's Concluding Remarks

The Department's Home Care Agency Statement of Work (attached to Department of Social and Health Services AAA agreement), states in part that a task sheet verifying task performance shall be kept for every client under the Medicaid funded programs served by the Contractor and must clearly indicate what tasks were completed/performed during each home visit. This documentation provides evidence that the services provided were allowable to be reimbursed by Medicaid.

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.303 Internal controls, states in part:
The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.403 Factors affecting Allowability of costs.

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the sample purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
(g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

(a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
  (3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2017, *Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster,* states in part:

General Audit Approach for Medicaid Payments

To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State's documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

Revised Code of Washington 74.39A.325

In-home personal care or respite services—Electronic timekeeping.

(1) The department shall not pay a home care agency licensed under chapter 70.127 RCW for in-home personal care or respite services provided under this chapter, Title 71A RCW, or chapter 74.39 RCW if the home care agency does not verify agency employee hours by electronic timekeeping except in circumstances where electronic verification is not possible as verified by the home care agency.

(2) For purposes of this section, "electronic timekeeping" means an electronic, verifiable method of recording an employee's presence with the client at the beginning and end of the employee's client visit shift.

Home and Community Services Management Bulletin – H10-008 Procedure, states in part:

The task sheet or home visit sheet must be initialed by the client or their representative at the end of every visit for verification of personal care tasks completed or respite services provided.

Department of Social and Health Services AAA agreement (contract with home care agencies), states in part:

16. Maintenance of Records. During the term of this agreement and for six (6) years following termination or expiration of this Agreement, both parties shall maintain records sufficient to:
    a. Document performance of all acts required by law, regulation, or this Agreement;
    b. Demonstrate accounting procedures, practices, and records that sufficiently and properly document the AAA's invoices to DSHS and all expenditures made by the AAA to perform as required by this Agreement.

Home Care Agency Statement of Work (attached to Department of Social and Health Services AAA agreement), states in part:

H. Verification of time and task performance

    The home care agency must maintain all records related to electronic timekeeping, alternative verification, or manual corrections and provide these records to the appropriate department or designee staff for review when requested.

    A form (task sheet) verifying task performance shall be kept for every client under the Medicaid funded programs served by the Contractor and must clearly indicate what tasks were completed/performed during each home visit.

2018-055 **The Department of Social and Health Services did not ensure the federal portion of uncashed Medicaid checks was returned to its grantor.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Activities Allowed/Unallowed Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$237,078	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

The Department of Social and Health Services (Department) serves over 37,000 clients who receive services from individual providers through a variety of state plan, waiver and state-only programs. The majority of client services are funded through the Community First Choice (CFC) program. Services include assisting clients with personal care services, providing transportation, respite and relief care and client skills acquisition. The goal of the programs is to support clients in their homes so they can continue to live in their communities and avoid institutional care.

Clients receive a set number of personal care hours each month based on a Department assessment. About 45,000 individual providers contract with the Department to provide personal care services and are paid through a payroll system known as Individual ProviderOne (IPOne). This system is managed and maintained by a vendor.

Before each pay date, the vendor sends the Department a request for the total amount of the payroll cost. The Department funds the request using federal Medicaid and state dollars. Generally, the vendor pays individual providers through electronic fund and debit card transfers, but also issues paper checks. Federal regulations require states to return the Medicaid-funded portion of uncashed checks to the grantor after 180 days.

Description of Condition

The Department of Social and Health Services did not ensure the federal portion of uncashed Medicaid checks were returned to its grantor.

In August 2018, we reported in an accountability audit finding that the Department did not return the federal portion of uncashed checks that were older than 180 days. The accountability audit report number was 1021987.

This condition was not reported in the prior single audit.

Cause of Condition

The Department said the vendor experienced significant staff turnover in the past few years and has not dedicated the necessary resources to adequately manage the system and implement an adjustment process that would allow it to return funds to the Department.

Effect of Condition

We reviewed the vendor's bank reconciliation as of June 30, 2018, and found the vendor had uncashed checks on its books dating back to April 1, 2016 – the date the payroll system began paying individual providers. We isolated the checks between April 1, 2016, and December 31, 2017. Checks issued after this date are within the 180-day allowance and not subject to return until after June 30, 2018.

We found a total of $474,156 in uncashed checks that were over 180 days old as of June 30, 2018. Of that amount, at least $237,078 (50 percent) was funded by Medicaid and had not been returned to the grantor. The vendor's payroll system is currently unable to make adjustments for uncashed checks and until the issue is resolved, the Department will not know the exact amount to refund to the grantor.

Type of expenditure	Known questioned costs
Federal	$ 237,078
State	$237,078
Total	**$474,156**

The statistical sample used for testing in parts of the fiscal year 2018 Medicaid audit was used to test compliance with other activities allowed requirements. Because some unallowable payments we examined violated multiple areas of activities allowed some of the questioned costs reported here might also be reported in finding numbers 2018-050, 2018-051, 2018-056, 2018-059, and 2018-060.

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

Recommendations

We recommend the Department:

- Work with its vendor to identify when checks go uncashed and return the federal share of the payment to the grantor
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs identified in the audit should be repaid

Department's Response

The Department concurs with the finding.

Due to contractor staffing and system issues, the contractor was not able to implement the uncashed check process. The Department and the contractor have worked together to develop the interface and process.

The code will be deployed in IPOne, in the 2019 Release 01 and the contractor will send over the outstanding uncashed checks to the Department, for April 2016 to current, by May 2019.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2017, *Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster,* states in part:

> General Audit Approach for Medicaid Payments
>
> To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State's documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

Title 42 U.S. Code of Federal Regulations Part 433 State Fiscal Administration, subpart A-Federal Matching and General Administration Provisions, states:

> Section 433.40 Treatment of uncashed or cancelled (voided) Medicaid checks.
>
> (a) *Purpose.* This section provides the rules to ensure that States refund the Federal portion of uncashed or cancelled (voided) checks under title XIX.
>
> (b) *Definitions.* As used in this section—*Cancelled (voided) check* means a Medicaid check issued by a State or fiscal agent which prior to its being cashed is cancelled (voided) by the State or fiscal agent, thus preventing disbursement of funds.
>
> *Check* means a check or warrant that a State or local agency uses to make a payment.
>
> *Fiscal agent* means an entity that processes or pays vendor claims for the Medicaid State agency.
>
> *Uncashed check* means a Medicaid check issued by a State or fiscal agent which has not been cashed by the payee.
>
> *Warrant* means an order by which the State agency or local agency without the authority to issue checks recognizes a claim. Presentation of a warrant by the payee to a State officer with authority to issue checks will result in release of funds due.
>
> (c) *Refund of Federal financial participation (FFP) for uncashed checks*—(1) *General provisions.* If a check remains uncashed beyond a period of 180 days from the date it was issued; i.e., the date of the check, it will no longer be regarded as an allowable program expenditure. If the State has claimed and received FFP for the amount of the uncashed check, it must refund the amount of FFP received.
>
> (2) *Report of refund.* At the end of each calendar quarter, the State must identify those checks which remain uncashed beyond a period of 180 days after issuance. The State agency must refund all FFP that it received for uncashed checks by adjusting the Quarterly Statement of Expenditures for that quarter. If an uncashed check is cashed after the refund is made, the State may file a claim. The claim will be considered to be an adjustment to the costs for the quarter in which the check was originally claimed. This claim will be paid if otherwise allowed by the Act and the regulations issued pursuant to the Act.
>
> (3) If the State does not refund the appropriate amount as specified in paragraph (c)(2) of this section, the amount will be disallowed.

(d) *Refund of FFP for cancelled (voided) checks*—(1) *General provision.* If the State has claimed and received FFP for the amount of a cancelled (voided) check, it must refund the amount of FFP received.

(2) *Report of refund.* At the end of each calendar quarter, the State agency must identify those checks which were cancelled (voided). The State must refund all FFP that it received for cancelled (voided) checks by adjusting the Quarterly Statement of Expenditures for that quarter.

(3) If the State does not refund the appropriate amount as specified in paragraph (d)(2) of this section, the amount will be disallowed.

2018-056 **The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure all Medicaid Community First Choice individual providers had proper background checks.**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.775 State Medicaid Fraud Control Units 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare 93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT
Applicable Compliance Component:	Activities Allowed/Unallowed Allowable Costs/Cost Principles
Known Questioned Cost Amount:	$25,288

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

The Aging and Long-Term Care Administration at the Department of Social and Health Services (Department) offers personal care and other services to support Medicaid clients in community settings through the Community First Choice program. The Department uses an assessment to evaluate a client's support needs and to calculate the number of personal care hours the client is eligible to receive in the community. Individual providers contract with the Department to provide personal care services to clients through one of the 13 Area Agency on Aging (AAA) offices across the state. AAA's work with providers and clients in their area to ensure providers are meeting eligibility requirements and clients are having their needs met

In fiscal year 2018, the state Medicaid program spent about $1.1 billion on Community First Choice personal care services.

Medicaid is the primary funding source for long-term care providers. The Medicaid Home and Community Based Services program permits states to furnish long-term care services to Medicaid clients in home and community settings. These services are provided to clients in their home by individuals or agencies chosen by the Medicaid client or the client's legal representative. Payments to individual providers contracted with the Aging and Long-Term Support Administration accounted for more than 6 percent of all Medicaid payments made in fiscal year 2018.

Individual providers are paid an hourly rate for providing personal care and a mileage rate for providing transportation services to their clients. Individual providers use the Department's Individual ProviderOne (IPOne) system to invoice the Department for their hourly service and mileage claims.

State law (RCW 43.43.837) requires that all individual providers must meet the basic qualifications to provide services to Medicaid clients, which include being at least 18 years old, passing background checks, and receiving required certifications and training. Individual providers must complete a Washington background check every two years and, effective January 8, 2012, all new contracted providers or applicants who have not lived in Washington for three consecutive years must complete a national fingerprint-based background check. Some clients choose to receive care from their parent or legal guardian. If the parent or legal guardian had a contract in place prior to January 7, 2012, a fingerprint background check is not required..

The Department's Secretary establishes a list of crimes that automatically disqualify people from having unsupervised access to vulnerable clients. This list was referred to as "the Secretary's List," but has been incorporated into regulation (Washington Administrative Code 388-113). People who commit a crime listed in State rule are automatically prohibited from "licensing, contracting, certification, or from having unsupervised access to children, vulnerable adults or to individuals with a developmental disability."

If a person is found to have committed a crime not listed in State rule, they are not automatically disqualified from having unsupervised access to vulnerable clients. The provider must receive a Character, Competence and Suitability review to assess and determine if they or their employees may have unsupervised access to clients.

The Department performs an annual quality review of AAA offices, which includes reviewing provider files to ensure they comply with provider eligibility requirements. A proficiency rate is issued for each of the questions that is answered as part of the review. Proficiency rates that fall below 86 percent require the AAA to submit a proficiency improvement plan (PIP) to respond to the deficiencies that were identified and how it plans to correct them. The Department then reviews the plan to ensure it will correct the deficiencies before approving the plan.

In prior audits, we reported the Department made payments on behalf of individual providers without valid background checks. The prior finding numbers were 2017-049, 2016-040, 2015-040, 2014-049, 2013-40, 12-41 and 11-34.

Description of Condition

The Department did not have adequate internal controls to ensure all Medicaid Community First Choice individual providers had proper background checks.

We examined the PIPs for three of the AAA offices that had a proficiency rate that fell below 86 percent. For two (66.7 percent) of the three PIPs, we noted the AAA did not address how it would correct the background check deficiency.

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

This internal control deficiency was not reported in the prior audit.

Cause of Condition

The Department's proficiency improvement plans contain several quality assurance questions. Due to lack of staff oversight, the background check question was inadvertently left off the proficiency improvement plans for two AAAs. This in turn, led to background checks not being included as corrective actions.

Effect of Condition and Questioned Costs

Providers who do not meet the background check requirements are not eligible to provide services to Medicaid clients. Any payments made by the Department to ineligible providers are unallowable.

We used a statistical sampling method to randomly select and examine 132 of 32,401 Community First Choice individual providers who provided in-home care services to in-home clients during fiscal year 2018 to ensure:

- A proper background check had been completed within the past two years
- No individuals with disqualifying crimes listed in State rule provided care to vulnerable adult clients at the time of the audit, or during the month(s) when the Department paid them
- Providers who had committed crimes that were not listed as disqualifying in State rule passed a Character, Competence and Suitability review permitting them to work unsupervised with vulnerable adults
- The entire period when the provider had access to Medicaid clients was covered by a Washington background check and, if required, a national fingerprint background check

We found:

- Five instances when the Department did not perform a fingerprint background check of a provider. Although a Washington background check was conducted on these providers, State law required a fingerprint check also be completed
- One instance when the Department did not promptly perform a Washington background check at the time of renewal

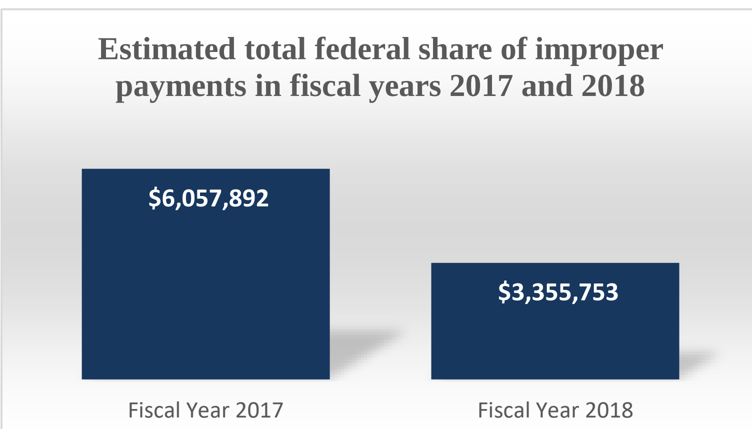
We also performed follow-up testing on our 2017 audit finding that identified one instance when the Department did not perform a fingerprint background check on a provider as required. We found the Department terminated the provider's contract in March 2018.

Direct service costs for 2017 and 2018			
Description	**Number of exceptions**	**Total paid**	**Federal share**
Did not perform a fingerprint background check	5	$26,809	$15,013
Did not promptly perform a Washington background check at the time of renewal	1	$0	$0
Did not perform a fingerprint background check - prior year individual provider	1	$7,020	$3,931
Totals	**7**	$33,829	$18,944

We determined the Department made $33,829 in unallowable payments to providers for direct services to clients. We are questioning $18,944, which is the federal portion of the unallowable payments.

When unallowable payments are identified, federal regulations suggest auditors consider if associated costs, such as benefits, were also paid. The Department pays payroll related benefits, which are considered associated costs, on behalf of Community First Choice providers. Examples of these costs include health insurance, retirement, payroll taxes and training.

For the $33,829 in payments determined were unallowable, we identified $11,501 in associated costs that we also consider to be unallowable. We are questioning $6,344, which is the federal portion of the unallowable payments related to associated costs. The Department contracts with a vendor that manages IPOne. The system is currently unable to make overpayment adjustments and until the issue is resolved, the Department will not know the exact amount of associated costs to refund the grantor. In addition, the system has been unable to correctly calculate State Unemployment Tax Act (SUTA) taxes since it began processing payroll on April 1, 2016.



Because a statistical sampling method was used to select the Community First Choice individual providers that we examined, we estimate the amount of likely improper payments to be $6,015,778. The federal share of this estimate is $3,355,753.

The statistical sample used for testing was also used to test compliance with other activities allowed requirements. Because some unallowable payments we examined violated multiple areas of activities allowed some of the questioned costs reported here might also be reported in finding numbers 2018-050, 2018-051, 2018-055, 2018-059 and 2018-060.

Projection to population	Known questioned costs	Likely improper payments
Federal expenditures	$25,288	$3,355,753
State expenditures	$20,042	$2,660,025
Total expenditures	**$45,330**	**$6,015,778**

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

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 99 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our "best estimate of total questioned costs" as required by 2 CFR 200.516(a)(3). To ensure a representative sample, we stratified the population by dollar amount (if applicable).

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

Recommendations

We recommend the Department:

- Ensure proficiency improvement plans are reviewed thoroughly before approval
- Ensure that all providers' background checks and Character, Competence and Suitability reviews are completed as required by State law and rule
- Identify all associated costs related to the unallowable payments for personal care services
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs identified in the audit should be repaid

Department's Response

The Department partially concurs with this finding.

The Department concurs that there were five instances when a fingerprint background check was not performed within the required timeframe. In all cases, fingerprint background checks were completed and no disqualifying crimes were found.

The Department also concurs that there was one instance where a background check was not renewed after two years, which is a Department policy. However, the Medicaid State Plan for Community First Choice (CFC) does not require Individual Providers to complete background checks every two years *to remain qualified. The State Plan requires Individual Providers to complete a state background check prior to contracting, and a federal background check, when required, within 120 days of being hired.*

The Department does not concur with the statement that the Department does not have adequate internal controls to ensure all Medicaid CFC individual providers (IPs) had proper background checks. Centers for Medicare and Medicaid Services requires a minimum of 86% proficiency related to compliance with IP background checks. The Department has monitored this requirement for many years and proficiency has always been over 90%. The Department will continue to follow established internal controls to materially ensure Community First Choice individual providers have timely background checks.

The Department does agree that two of the three Area Agency on Aging (AAA) proficiency improvement plans reviewed by the SAO did not address how the AAA would correct a background check deficiency. The Department will revise its internal process for approving proficiency improvement plans for accuracy and completeness to ensure all identified issues are addressed.

The Department will identify associated costs related to unallowable payments for personal care services. The Department will then work with the U.S. Department of Health and Human Services to return questioned costs.

Auditor's Concluding Remarks

While the Centers for Medicare and Medicaid Services require a minimum of 86 percent proficiency related to compliance with IP background checks, we determine a material weakness exists when an agency's key internal controls fail five percent or more of the time. Our audit testing showed the internal control related to IP background checks failed more than five percent of the time.

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2017, *Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster*, states in part:

> General Audit Approach for Medicaid Payments
>
> To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State's documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

Revised Code of Washington RCW 43.43.837, "Fingerprint-based background checks—Requirements for applicants and service providers—Shared background checks—Fees—Rules to establish financial responsibility," states in part:

(1) Except as provided in subsection (2) of this section, in order to determine the character, competence, and suitability of any applicant or service provider to have unsupervised access, the secretary may require a fingerprint-based background check through both the Washington state patrol and the federal bureau of investigation at any time, but shall require a fingerprint-based background check when the applicant or service provider has resided in the state less than three consecutive years before application, and:
  (a) Is an applicant or service provider providing services to children or people with developmental disabilities under RCW 74.15.030;
  (b) Is an individual residing in an applicant or service provider's home, facility, entity, agency, or business or who is authorized by the department to provide services to children or people with developmental disabilities under RCW 74.15.030; or
  (c) Is an applicant or service provider providing in-home services funded by:
    (i) Medicaid personal care under RCW 74.09.520;
    (ii) Community options program entry system waiver services under RCW 74.39A.030;
    (iii) Chore services under RCW 74.39A.110; or
    (iv) Other home and community long-term care programs, established pursuant to chapters 74.39 and 74.39A RCW, administered by the department.

(2) Long-term care workers, as defined in RCW 74.39A.009, who are hired after January 7, 2012, are subject to background checks under RCW 74.39A.056.

(3) To satisfy the shared background check requirements provided for in RCW 43.215.215 and 43.20A.710, the department of early learning and the department of social and health services shall share federal fingerprint-based background check results as permitted under the law. The purpose of this provision is to allow both departments to fulfill their joint background check responsibility of checking any individual who may have unsupervised access to vulnerable adults, children, or juveniles. Neither department may share the federal background check results with any other state agency or person.

(4) The secretary shall require a fingerprint-based background check through the Washington state patrol identification and criminal history section and the federal bureau of investigation when the department seeks to approve an applicant or service provider for a foster or adoptive placement of children in accordance with federal and state law.

(5) Any secure facility operated by the department under chapter 71.09 RCW shall require applicants and service providers to undergo a fingerprint-based background check through the Washington state patrol identification and criminal history section and the federal bureau of investigation.

(6) Service providers and service provider applicants who are required to complete a fingerprint-based background check may be hired for a one hundred twenty-day provisional period as allowed under law or program rules when:
   (a) A fingerprint-based background check is pending; and
   (b) The applicant or service provider is not disqualified based on the immediate result of the background check.

(7) Fees charged by the Washington state patrol and the federal bureau of investigation for fingerprint-based background checks shall be paid by the department for applicants or service providers providing:
   (a) Services to people with a developmental disability under RCW 74.15.030;
   (b) In-home services funded by medicaid personal care under RCW 74.09.520;
   (c) Community options program entry system waiver services under RCW 74.39A.030;
   (d) Chore services under RCW 74.39A.110;
   (e) Services under other home and community long-term care programs, established pursuant to chapters 74.39 and 74.39A RCW, administered by the department;
   (f) Services in, or to residents of, a secure facility under RCW 71.09.115; and
   (g) Foster care as required under RCW 74.15.030.

(8) Service providers licensed under RCW 74.15.030 must pay fees charged by the Washington state patrol and the federal bureau of investigation for conducting fingerprint-based background checks.

(9) Children's administration service providers licensed under RCW 74.15.030 may not pass on the cost of the background check fees to their applicants unless the individual is determined to be disqualified due to the background information.

(10) The department shall develop rules identifying the financial responsibility of service providers, applicants, and the department for paying the fees charged by law enforcement to roll, print, or scan fingerprints-based for the purpose of a Washington state patrol or federal bureau of investigation fingerprint-based background check.

(11) For purposes of this section, unless the context plainly indicates otherwise:
   (a) Applicant" means a current or prospective department or service provider employee, volunteer, student, intern, researcher, contractor, or any other individual who will or may have unsupervised access because of the nature of the work or services he or she provides. "Applicant" includes but is not limited to any individual who will or may have unsupervised access and is:
      (i) Applying for a license or certification from the department;
      (ii) Seeking a contract with the department or a service provider;
      (iii) Applying for employment, promotion, reallocation, or transfer;
      (iv) An individual that a department client or guardian of a department client chooses to hire or engage to provide services to himself or herself or another vulnerable

adult, juvenile, or child and who might be eligible to receive payment from the department for services rendered; or

(v) A department applicant who will or may work in a department-covered position.

(b) Authorized" means the department grants an applicant, home, or facility permission to:

(i) Conduct licensing, certification, or contracting activities;

(ii) Have unsupervised access to vulnerable adults, juveniles, and children;

(iii) Receive payments from a department program; or

(iv) Work or serve in a department-covered position.

(c) Department" means the department of social and health services.

(d) Secretary" means the secretary of the department of social and health services.

(e) Secure facility" has the meaning provided in RCW 71.09.020.

(f) Service provider" means entities, facilities, agencies, businesses, or individuals who are licensed, certified, authorized, or regulated by, receive payment from, or have contracts or agreements with the department to provide services to vulnerable adults, juveniles, or children. "Service provider" includes individuals whom a department client or guardian of a department client may choose to hire or engage to provide services to himself or herself or another vulnerable adult, juvenile, or child and who might be eligible to receive payment from the department for services rendered. "Service provider" does not include those certified under *chapter 70.96A RCW.

Revised Code of Washington 74.15.030, Powers and duties of secretary, states:

The secretary shall have the power and it shall be the secretary's duty:

(1) In consultation with the children's services advisory committee, and with the advice and assistance of persons representative of the various type agencies to be licensed, to designate categories of facilities for which separate or different requirements shall be developed as may be appropriate whether because of variations in the ages, sex and other characteristics of persons served, variations in the purposes and services offered or size or structure of the agencies to be licensed hereunder, or because of any other factor relevant thereto;

(2) In consultation with the children's services advisory committee, and with the advice and assistance of persons representative of the various type agencies to be licensed, to adopt and publish minimum requirements for licensing applicable to each of the various categories of agencies to be licensed.

The minimum requirements shall be limited to:

(a) The size and suitability of a facility and the plan of operation for carrying out the purpose for which an applicant seeks a license;

(b) Obtaining background information and any out-of-state equivalent, to determine whether the applicant or service provider is disqualified and to determine the character, competence, and suitability of an agency, the agency's employees, volunteers, and other persons associated with an agency;

(c) Conducting background checks for those who will or may have unsupervised access to children, expectant mothers, or individuals with a developmental disability; however, a background check is not required if a caregiver approves an activity pursuant to the prudent parent standard contained in RCW 74.13.710;

(d) Obtaining child protective services information or records maintained in the department case management information system. No unfounded allegation of child abuse or neglect as defined in RCW 26.44.020 may be disclosed to a child-placing agency, private adoption agency, or any other provider licensed under this chapter;

(e) Submitting a fingerprint-based background check through the Washington state patrol under chapter 10.97 RCW and through the federal bureau of investigation for:

(i) Agencies and their staff, volunteers, students, and interns when the agency is seeking license or relicense;

(ii) Foster care and adoption placements; and

(iii) Any adult living in a home where a child may be placed;

(f) If any adult living in the home has not resided in the state of Washington for the preceding five years, the department shall review any child abuse and neglect registries maintained by any state where the adult has resided over the preceding five years;

(g) The cost of fingerprint background check fees will be paid as required in RCW 43.43.837;

(h) National and state background information must be used solely for the purpose of determining eligibility for a license and for determining the character, suitability, and competence of those persons or agencies, excluding parents, not required to be licensed who are authorized to care for children or expectant mothers;

(i) The number of qualified persons required to render the type of care and treatment for which an agency seeks a license;

(j) The safety, cleanliness, and general adequacy of the premises to provide for the comfort, care and well-being of children, expectant mothers or developmentally disabled persons;

(k) The provision of necessary care, including food, clothing, supervision and discipline; physical, mental and social well-being; and educational, recreational and spiritual opportunities for those served;

(l) The financial ability of an agency to comply with minimum requirements established pursuant to chapter 74.15 RCW and RCW 74.13.031; and

(m) The maintenance of records pertaining to the admission, progress, health and discharge of persons served;

(3) To investigate any person, including relatives by blood or marriage except for parents, for character, suitability, and competence in the care and treatment of children, expectant mothers, and developmentally disabled persons prior to authorizing that person to care for children, expectant mothers, and developmentally disabled persons. However, if a child is placed with a relative under RCW 13.34.065 or 13.34.130, and if such relative appears otherwise suitable and competent to provide care and treatment the criminal history background check required by this section need not be completed before placement, but shall be completed as soon as possible after placement;

(4) On reports of alleged child abuse and neglect, to investigate agencies in accordance with chapter 26.44 RCW, including child day-care centers and family day-care homes, to determine whether the alleged abuse or neglect has occurred, and whether child protective services or referral to a law enforcement agency is appropriate;

(5) To issue, revoke, or deny licenses to agencies pursuant to chapter 74.15 RCW and RCW 74.13.031. Licenses shall specify the category of care which an agency is authorized to render and the ages, sex and number of persons to be served;
(6) To prescribe the procedures and the form and contents of reports necessary for the administration of chapter 74.15 RCW and RCW 74.13.031 and to require regular reports from each licensee;
(7) To inspect agencies periodically to determine whether or not there is compliance with chapter 74.15 RCW and RCW 74.13.031 and the requirements adopted hereunder;
(8) To review requirements adopted hereunder at least every two years and to adopt appropriate changes after consultation with affected groups for child day-care requirements and with the children's services advisory committee for requirements for other agencies; and
(9) To consult with public and private agencies in order to help them improve their methods and facilities for the care of children, expectant mothers and developmentally disabled persons.

Washington Administrative Code 388-71-0510 – "How does a person become an individual provider?" states:

In order to become an individual provider, a person must:
(1) Be eighteen years of age or older;
(2) Provide the social worker/case manager/designee with:
(a) A valid Washington state driver's license or other valid picture identification; and either
(b) A Social Security card; or
(c) Proof of authorization to work in the United States.
(3) Complete the required DSHS form authorizing a background check;
(4) Disclose any criminal convictions and pending charges, and also disclose civil adjudication proceedings and negative actions as those terms are defined in WAC 388-71-0512;
(5) Effective January 8, 2012, be screened through Washington state's name and date of birth background check. Preliminary results may require a thumb print for identification purposes.
(6) Effective January 8, 2012, be screened through the Washington state and national fingerprint-based background check, as required by RCW 74.39A.056.
(7) Results of background checks are provided to the department and the employer or potential employer unless otherwise prohibited by law or regulation for the purpose of determining whether the person:
(a) Is disqualified based on a disqualifying criminal conviction or a pending charge for a disqualifying crime as listed in WAC 388-113-0020, civil adjudication proceeding, or negative action as defined in WAC 388-71-0512 and 388-71-0540; or
(b) Should or should not be employed as an individual provider based on his or her character, competence, and/or suitability.
(8) For those providers listed in RCW 43.43.837(1), a second Washington state and national fingerprint-based background check is required if they have lived out of the state of Washington since the first national fingerprint-based background check was completed.

(9) The department may require an individual provider to have a Washington state name and date of birth background check or a Washington state and national fingerprint-based background check, or both, at any time.
(10) Sign a home and community-based service provider contract/agreement to provide personal care services to a person under a medicaid state plan or federal waiver such as COPES or other waiver programs.

2018-057 **The Department of Social and Health Services, Aging and Long-Term Support and Developmental Disabilities Administrations, did not have adequate internal controls over and did not comply with requirements to ensure some Medicaid providers were properly revalidated or screened, and fingerprint-based criminal background check requirements were met.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Special Tests and Provisions – Provider Eligibility-Provider Revalidation	
Known Questioned Cost Amount:	None	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

Provider enrollment

In March 2011, a new federal regulation required state Medicaid agencies to revalidate the enrollment of all Medicaid providers at least every five years. The Centers for Medicare and Medicaid Services (CMS) notified states through an informational bulletin that the revalidation of all providers enrolled on or before March 25, 2011, must be completed by March 24, 2016.

In January 2016, CMS issued updated guidance to states that extended the deadline for provider revalidation to September 25, 2016. The new deadline applied to all providers enrolled on or before September 25, 2011. After this deadline, all providers must be revalidated every five years from their initial enrollment date. As part of this updated guidance, CMS required states to notify all affected providers of the revalidation requirement by the original March 24, 2016, deadline.

The Department of Social and Health Services (Department) revalidates the enrollment of Medicaid providers through its contracting process. Individual provider contract terms are four years and contracting requirements are screened by a contract specialist within the Department's Aging and Long-

Term Support (ALTSA) and Developmental Disabilities (DDA) Administrations. Contracts are also screened by Area Agencies on Aging (AAA) regional offices. A valid Washington state driver's license or other valid picture identification and either a Social Security card or proof of authorization to work in the United States must be checked during revalidation for individual providers. Nursing facility contract expiration dates are open ended, but the contract unit revalidates nursing facility enrollment every five years; contracting requirements are screened by the Department's contract unit.

Federal law requires the State Medicaid agency to check the following during its revalidation process:

- Social Security Administration's Death Master File (DMF)
- National Plan and Provider Enumeration System (NPPES)
- List of Excluded Individuals/Entities (LEIE)
- Excluded Parties List System (EPLS) (now known as the System for Award Management (SAM))

The Department's contract unit performs daily federal database checks for all providers. When a provider's contract is revalidated, a contract file is created in the Agency Contracts Database (ACD). The results are documented in the "Check" section of the ACD system. Before signing a contract, a contract specialist checks the ACD system to ensure the federal database checks were performed and properly documented.

Provider screening risk levels

The first step in revalidating a provider is to determine the provider's screening risk level. A provider can be designated as one of three risk levels: limited, moderate or high. Each risk level requires progressively greater scrutiny of the provider before it can be revalidated. CMS issued initial guidance on screening levels for specific provider types. For providers enrolled in both Medicare and Medicaid, state Medicaid agencies must assign providers to the same or higher risk category applicable under Medicare. In addition, certain provider behaviors require a provider to be moved to a higher screening risk level.

The following are the required screening procedures for each of the risk levels:

<u>Limited risk</u>
- Verify that provider meets applicable federal regulations or state requirements for provider type before making an enrollment determination
- Conduct license verifications, including for licenses in states other than where the provider is enrolling
- Conduct database checks to ensure providers continue to meet the enrollment criteria for their provider type

<u>Moderate risk</u>
- Perform the "limited" screening requirements
- Conduct onsite visits

High risk

- Perform the “limited” and “moderate” screening requirements
- Conduct a fingerprint-based criminal background check

State Medicaid agencies must adjust the categorical risk level of a particular provider from “limited” or “moderate” to “high” when any of the following situations occur:

- A Medicaid agency imposes a payment suspension on a provider based on credible allegation of fraud, waste or abuse. The provider’s risk remains “high” for 10 years after the date the payment suspension was issued.
- A provider that, upon applying for enrollment or revalidation, is found to have an existing state Medicaid Plan overpayment which is $1,500 or greater and more than 30 days old.
- The provider has been excluded by the Office of Inspector General or another state’s Medicaid program in the previous 10 years.
- A Medicaid agency or CMS, in the previous six months, lifted a temporary moratorium for the particular provider type and a provider that was prevented from enrolling based on the moratorium applies for enrollment as a provider at any time within six months from the date the moratorium was lifted

Fingerprint-based criminal background check

In revalidating a provider’s enrollment, the state Medicaid agency must conduct a fingerprint-based criminal background check when the agency has designated a provider as high-risk. Anyone with at least a 5 percent direct or indirect ownership interest in a business that provides Medicaid services is also subject to the fingerprint check requirement. The deadline to fully-implement a fingerprint-based criminal background check process was June 1, 2016, and the State Medicaid agency was required to ensure it had processes in place to complete the following tasks related to fingerprint-based criminal background checks:

- Notify each provider in the high risk category about the fingerprint-based criminal background check requirement
- Collect and use fingerprints to verify whether the provider or any person with a 5 percent or more or indirect ownership interest in the provider has a criminal history in the state or, if it chooses, at the national level
- Take any necessary termination action based on the criminal history data and updated enrollment records to reflect fingerprint-based criminal background check status
- Indicate in the enrollment record for a provider in the high-risk category whether and when the provider passed, failed or failed to respond to the requirement for fingerprint-based criminal background checks

On August 1, 2017, CMS extended the deadline to implement a fingerprint-based criminal background check process to July 1, 2018.

The Department paid Medicaid providers about $2.8 billion for fee-for-service claims in fiscal year 2018. The two highest paid provider types were individual providers and nursing facilities. In fiscal year 2018, the Department paid about $662 million to more than 45,000 individual providers and about $644 million to 256 nursing facilities.

Description of Condition

The Department did not have adequate internal controls over and did not comply with requirements to ensure Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.

Provider enrollment

We found the Department did not ensure federally required database checks were performed before completing enrollment revalidation of individual providers and nursing facilities.

We also found that the Department did not ensure all nursing facilities were revalidated by the deadline. The Department began revalidating nursing facilities in November 2017.

Provider screening levels

The Department did not establish a process to adjust provider screening risk levels during the period.

Fingerprint-based criminal background check

The Department did not implement a fingerprint-based criminal background check process for all providers categorized as high risk by the extended deadline of July 1, 2018.

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

This condition was not reported in the prior audit.

Cause of Condition

DMF checks were not consistently performed until the Department implemented a daily check process in November 2016. The Department was not aware that NPPES checks for nursing facilities should be performed when a nursing facility was revalidated.

The Department did not implement the risk adjustment process and a fingerprint-based criminal background check for high-risk providers during our audit period and revalidation for nursing facilities until November 2017 because it was not aware of the new revalidation rules.

Effect of Condition

Using a statistical sampling method, we randomly selected 86 individual providers that were paid by ALTSA during the audit period from a population of 32,860 providers. We identified a total of 102 contracts associated with the payments made to the 86 providers.

Additionally, we randomly selected 86 individual providers that were paid by DDA during the audit period from a population of 14,494 providers. We identified a total of 99 contracts associated with the payments made for the 86 DDA providers.

We also randomly selected 53 nursing facilities that were paid during the audit period from a population of 256 facilities. We identified 53 contracts associated with the payments made for the 53 facilities.

We reviewed the selected contracts to determine if the Department took proper steps when conducting provider revalidations. We found:

- Database checks were not completed for 64 ALTSA individual provider contracts
- Database checks were not completed for 68 DDA individual provider contracts
- Database checks were not completed for 36 nursing facility contracts
- 36 nursing facilities were not revalidated by the deadline

Provider Type	LEIE check not properly completed	EPLS check not properly completed	DMF check not properly completed	NPPES check not properly completed	Contracts signed before federal database checks	Totals
ALTSA providers	6	6	57	N/A[1]	29	64[2]
DDA providers	1	1	67	N/A[1]	7	68[2]
Nursing facilities	0	0	8	36	0	36[2]

1.NPPES check is not required for individual providers because National Provider Identifier (NPI) is not required for individual providers.
2.Some contracts had multiple issues.

We also reviewed Department records to determine if it obtained proof of authorization to work in the U.S. and a copy of picture identification cards from individual providers before revalidating their contracts.

We found:

- One instance when DDA records did not contain evidence showing an individual provider was authorized to work in the U.S.
- Five instances when ALTSA records did not contain evidence showing individual providers had valid picture identification
- Five instances when DDA records did not contain evidence showing individual providers had valid picture identification

By not complying with provider revalidation, screening and fingerprint-based criminal background check requirements, the Department faces a higher risk of not detecting when Medicaid providers are ineligible to provide services or be paid with Medicaid funds.

Recommendations

We recommend the Department:

- Implement adequate internal controls to ensure provider revalidations are properly completed by established deadlines
- Ensure federal database checks are completed at the time of provider revalidation
- Verify and properly document that individual providers are authorized to work in the U.S. and have a valid picture identification card at the time of revalidation
- Implement a process to adjust providers' screening risk levels
- Implement a process to conduct fingerprint-based criminal background checks for high-risk providers

Department's Response

The Department concurs with this finding.

In November 2017, the Department developed a process to screen and track each nursing facility contract to ensure validation and revalidation occurs within the five-year requirement. It was not until September of 2018 that the nursing facility screenings were completed due to delayed response, and the return of required forms, by the nursing facilities. Currently, all nursing facilities have been screened as required.

Effective October 8, 2018, the Department implemented the new Automated Provider Screening process in the Agency Contracts Database (ACD). The new process includes an internal control that prevents a new or renewal Medicaid contract to be approved or signed unless the screening process has been successfully completed in ACD.

The Provider Risk Level reassignment, due to overpayment or Medicaid fraud referral, is under Department review to determine workload impact and costs associated with adding monitoring of risk levels to on-going contracting efforts. Once workload impact and cost analysis is complete, the Department will determine the best course of action to comply with screening and fingerprint requirements.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls.

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

Title 42 U.S. Code of Federal Regulations section 455 Subpart E – Provider Screening and Enrollment, states in part:

Section 455.414 Revalidation of enrollment

The State Medicaid agency must revalidate the enrollment of all providers regardless of provider type at least every 5 years.

Section 455.434 Criminal background checks

The State Medicaid agency -

(a) As a condition of enrollment, must require providers to consent to criminal background checks including fingerprinting when required to do so under State law or by the level of screening based on risk of fraud, waste or abuse as determined for that category of provider.

(b) Must establish categorical risk levels for providers and provider categories who pose an increased financial risk of fraud, waste or abuse to the Medicaid program.

(1) Upon the State Medicaid agency determining that a provider, or a person with a 5 percent or more direct or indirect ownership interest in the provider, meets the State Medicaid agency's criteria hereunder for criminal background checks as a “high” risk to the Medicaid program, the State Medicaid agency will require that each such provider or person submit fingerprints.

(2) The State Medicaid agency must require a provider, or any person with a 5 percent or more direct or indirect ownership interest in the provider, to submit a

set of fingerprints, in a form and manner to be determined by the State Medicaid agency, within 30 days upon request from CMS or the State Medicaid agency.

Section 455.450 Screening levels for Medicaid providers.

A State Medicaid agency must screen all initial applications, including applications for a new practice location, and any applications received in response to a re-enrollment or revalidation of enrollment request based on a categorical risk level of “limited,” “moderate,” or “high.” If a provider could fit within more than one risk level described in this section, the highest level of screening is applicable.

(a) Screening for providers designated as limited categorical risk. When the State Medicaid agency designates a provider as a limited categorical risk, the State Medicaid agency must do all of the following:
  (1) Verify that a provider meets any applicable Federal regulations, or State requirements for the provider type prior to making an enrollment determination.
  (2) Conduct license verifications, including State licensure verifications in States other than where the provider is enrolling, in accordance with § 455.412.
  (3) Conduct database checks on a pre- and post-enrollment basis to ensure that providers continue to meet the enrollment criteria for their provider type, in accordance with § 455.436.

(b) Screening for providers designated as moderate categorical risk. When the State Medicaid agency designates a provider as a “moderate” categorical risk, a State Medicaid agency must do both of the following:
  (1) Perform the “limited” screening requirements described in paragraph (a) of this section.
  (2) Conduct on-site visits in accordance with § 455.432.

(c) Screening for providers designated as high categorical risk. When the State Medicaid agency designates a provider as a “high” categorical risk, a State Medicaid agency must do both of the following:
  (1) Perform the “limited” and “moderate” screening requirements described in paragraphs (a) and (b) of this section.
  (2) (i)Conduct a criminal background check; and (ii) Require the submission of a set of fingerprints in accordance with § 455.434.

(d) Denial or termination of enrollment. A provider, or any person with 5 percent or greater direct or indirect ownership in the provider, who is required by the State Medicaid agency or CMS to submit a set of fingerprints and fails to do so may have its -
  (1) Application denied under § 455.434; or
  (2) Enrollment terminated under § 455.416.

(e) Adjustment of risk level. The State agency must adjust the categorical risk level from “limited” or “moderate” to “high” when any of the following occurs:
  (1) The State Medicaid agency imposes a payment suspension on a provider based on credible allegation of fraud, waste or abuse, the provider has an existing Medicaid overpayment, or the provider has been excluded by the OIG or another State's Medicaid program within the previous 10 years.
  (2) The State Medicaid agency or CMS in the previous 6 months lifted a temporary moratorium for the particular provider type and a provider that was prevented

from enrolling based on the moratorium applies for enrollment as a provider at any time within 6 months from the date the moratorium was lifted.

Section 455.436 Federal database checks.

The State Medicaid agency must do all of the following:

(a) Confirm the identity and determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee of the provider through routine checks of Federal databases.

(b) Check the Social Security Administration's Death Master File, the National Plan and Provider Enumeration System (NPPES), the List of Excluded Individuals/Entities (LEIE), the Excluded Parties List System (EPLS), and any such other databases as the Secretary may prescribe.

Centers for Medicare and Medicaid Services, Center for Medicaid and CHIP Services, CMCS Informational Bulletin, dated December 21, 2011, states in part:

> The Federal regulation at 42 CFR 455.414 requires States, beginning March 25, 2011, to complete revalidation of enrollment for all providers, regardless of provider type, at least every five years. Based upon this requirement, States must complete the revalidation process of all provider types by March 24, 2016.

Centers for Medicare and Medicaid Services (CMS) Sub Regulatory Guidance for State Medicaid Agencies (SMA): Revalidation (2016-001) states in part:

> The federal regulation at 42 CFR 455.414 requires that state Medicaid agencies revalidate the enrollment of all providers, regardless of provider types, at least every 5 years. The regulation was effective March 25, 2011. Based on this requirement, in a December 23, 2011 CMCS Informational Bulletin, we directed states to complete the revalidation process of all provider types by March 24, 2016.
>
> The purpose of this guidance is to revise previous guidance in order to align Medicare and Medicaid revalidation activities to the greatest extent possible. We are revising that previous guidance to now require a two-step deadline under which states must notify all affected providers of the revalidation requirement by the original March 24, 2016 deadline, and must have completed the revalidation process by a new deadline of September 25, 2016.
>
> …
>
> (3) Deadline for SMA to revalidate providers enrolled on or before September 25, 2011. The Federal regulation at 42 CFR § 455.414 requires states, beginning March 25, 2011, to revalidate the enrollment of all Medicaid providers, regardless of provider type, at least every five years. Based upon this requirement, by March 24, 2016, states must notify providers that were enrolled on or before March 25, 2011 that they must revalidate their enrollment. On March 25, 2016, states that have notified all providers subject to the revalidation requirement will be considered compliant with the revalidation activities required as of that date.

Washington Administrative Code 388-71-0510

How does a person become an individual provider?

In order to become an individual provider, a person must:

(1) Be eighteen years of age or older;

(2) Provide the social worker/case manager/designee with:

(a) A valid Washington state driver's license or other valid picture identification; and either

(b) A Social Security card; or

(c) Proof of authorization to work in the United States.

2018-058 The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and was not compliant with requirements to ensure Medicaid payments to supported living providers were allowable.

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Activities Allowed / Unallowed Cost Principles	
Known Questioned Cost Amount:	$1,985,968	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

The Department of Social and Health Services' (Department) Developmental Disabilities Administration administers the Home and Community Based Services (HCBS) program for people with developmental disabilities. HCBS is a waiver program that permits states to provide an array of community-based services to help Medicaid clients live in the community and avoid institutionalization. States have broad discretion to design waiver programs, but those programs must be approved by the Centers for Medicare and Medicaid Services (CMS).

Supported living services support Medicaid clients to live in their own homes with one to three other people and receive instruction and support delivered by contracted service agencies (providers). Supported living clients pay their own rent, food and other personal expenses. Supported living is an option under the Home and Community Based Services Core and Community Protection waivers.
In fiscal year 2018, the state Medicaid program paid about $458 million in federal and state funds to supported living agencies that provided care to about 4,200 Medicaid clients.

Client assessments

The Department uses an assessment to evaluate client support needs and to calculate the number of support hours a client needs to live in the community. The assessment predicts a level of support as if the client lives alone. However, because some support hours can be shared with housemates, the Department looks for such shared-hour opportunities to help providers support clients in a cost-effective manner.

Through a rate setting process, Department resource managers work with providers to determine how the assessed level of support will be delivered and the number of daily direct service hours that will be provided. State rule requires providers to obtain Department approval of schedules to provide 24-hour support when household configurations change or when additional staffing is requested or needed by a client. Once determined, a daily rate is loaded into the Department's payment system, and providers access the system to claim payment for each day of service that was provided.

Cost reports

Providers must prepare and submit a cost report at the end of each calendar year. The Department uses cost report information to:

- Provide program cost data to regional managers and residential providers;
- Provide information to establish rates or allocate appropriated funds;
- Determine settlements with supported living providers;
- Provide information to the Legislature and the Department for budget development and policy decisions; and
- Provide accountability and transparency for the use of public funds.

Cost reports consist of 16 different schedules of provider information. The Department has established a template, accompanied by detailed instructions, that all providers must use when preparing cost reports. Providers must attest to the accuracy of the reported information.

In its approved Core waiver, the Department states that cost reports are desk audited to determine accuracy and the reasonableness of reported costs. The Department has also established a policy that states it will analyze the cost reports and financial statements of each provider to determine if the submitted information is correct and complete, and that it conforms with generally accepted accounting principles and applicable policies rules and regulations.

Provider documentation requirements

According to Department policy, providers must maintain detailed payroll records, by employee, of the hours and costs reported on their cost reports. The Department may request job descriptions for employees to verify the duties of positions. Paid hours and payroll costs for direct hours to clients must be verifiable in provider records. This includes employee timesheets and schedules for actual hours worked. In its cost report instructions, the Department states the detailed payroll information does not need to be submitted with cost reports. The Department has established a template that providers can use to organize the information, but providers are allowed to use their own payroll records.

When a provider uses its own payroll records, the Department requires in its instructions that the information clearly show the distinction between direct and non-direct hours and wages for the provider's employees and that each employee be assigned to one of seven different job classification categories. The instructions further state that the detailed payroll records must be made available if requested by the Department for auditing purposes.

Settlements

After reviewing cost reports, the Department establishes settlements when providers were paid for more direct service hours than they provided in a calendar year (Settlement A) or when providers received more reimbursement (in dollars) for direct support costs compared with what was actually incurred during the year (Settlement B). Settlements are based on a provider's attestation of total hours provided or the total direct support dollars reimbursed, during the year. The Department's policy requires that providers refund the greater amount of Settlement A or B.

Once settlements are assessed, they are forwarded to the Department's collection arm, the Office of Financial Recovery (OFR), which records an overpayment and seeks repayment from providers.

Prior audit findings

In prior audits, we reported the Department did not have adequate internal controls over and was not compliant with requirements to ensure payments to supported living providers were allowable. The prior finding numbers were: 2017-044, 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2013-036, 2013-038 and 12-39.

Description of Condition

The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and was not compliant with requirements to ensure Medicaid payments to supported living providers were allowable.

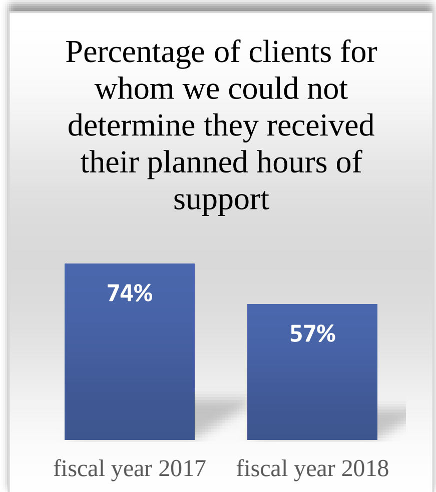
Cost reports and settlements

After obtaining cost reports from providers for the 2017 calendar year, the Department did not establish procedures to verify if the direct hours reported as worked, or the cost to provide those hours, were accurate and conformed with generally accepted accounting principles.

We used a statistically valid sampling method to randomly select 69 of the 123 cost reports the Department obtained from providers for the 2017 calendar year. We then independently requested payroll records from the providers to perform our own reconciliation. All providers responded to our request for records. In five instances (7 percent), the payroll records submitted by providers did not fully support the number of direct service hours that were reported on their cost reports. Additionally, in 43 instances (62 percent), providers did not properly categorize their employees as required by the Department's instructions.

In 35 instances (51 percent), providers were paid for more direct service hours than they reported on their cost reports. Before making this conclusion, we reviewed and considered the information the Department forwarded to OFR to be collected.

Employee timesheets



The Department pays providers for a client's assessed level of support hours. We used a statistical sampling method to randomly select and examine 86 monthly payments from a population of 49,419 monthly payments made for client support hours. We requested employee timesheets and work schedules from providers for the selected months and reconciled employee direct support hours provided to clients to the hours the providers said they planned to provide to clients during the month. In 49 instances (57 percent), we could not determine that providers delivered a client's planned level of hourly support.

Specifically, we identified 99,237 support hours that providers reported to the Department they planned to provide to clients based on their residential staffing plans. Of those hours, we verified providers delivered 89,119 support hours. For 10,118 hours (10 percent), we could not determine if the hours were provided because employees were not scheduled to work or supporting documentation was lacking.

For four of the households in our sample, totaling 4,600 planned hours of support, providers responded to our request for timesheets, but because of poor recordkeeping we could not determine if any hours of support were delivered to sampled clients.

We consider these control deficiencies to be a material weakness.

Duplicate payments

We tested to determine if the Department made duplicate payments to providers. We found the Department made 10 duplicate payments to providers, totaling $4,082.

Cause of Condition

Cost reports and settlements

The Department said it did not dedicate resources to verify the accuracy of the information submitted by providers. The Department said it has never implemented a consistent process for requesting detailed payroll records from providers for reconciling to cost records. The Department also said it performed no monitoring to confirm if providers comply with cost-report instructions.

During the audit period, the Department issued guidance to providers to request an exception to credit the cost of overtime on their cost reports when calculating Settlement A (hours paid minus hours provided). This practice was not described in its Core waiver with CMS or Department policy.

Employee timesheets

The Department does not perform procedures to determine if a client received their assessed level of support hours, or reconcile the payments to provider timesheets. Rather, it relies on the cost settlement process to determine if a provider delivered the total number of contracted hours to all clients in their agency during the calendar year.

A provider that provides services at multiple locations said it did not keep detailed timesheet records by employees because of changes in administrative personnel or the records were lost. Another provider stated it does not track hours by client or household because it settles its hours for the entire agency at the end of the year.

Duplicate payments

We found duplicate payments were made to providers because an edit in the Department's payment system had not been activated to prevent claims on the same date of service for differing amounts.

Effect of Condition and Questioned Costs

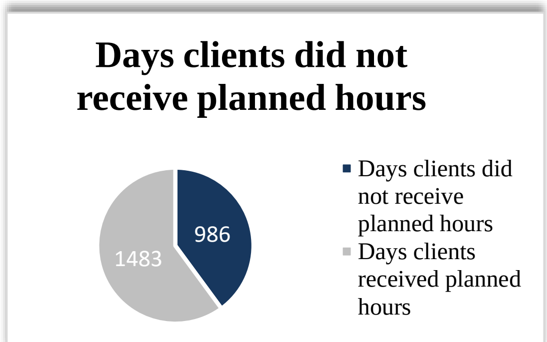
Cost reports and settlements

We are questioning $1,082,187 that was paid to the five providers when their detailed payroll records did not support the hours reported on their cost reports. The federal share of these questioned costs is $541,093.

We are also questioning $2,778,899 for the 35 providers who were paid for more direct service hours than they reported on their cost reports. The federal share of these questioned costs is $1,389,450. These amounts include the Department's exception for overtime consideration.

Employee timesheet

When reconciling household schedules to employee timesheets, we identified 986 days of a total of 2,469 days when clients did not receive the number of hours providers reported to the Department they planned to provide to clients. We also identified 186 days of a total of 2,469 days when employee timesheets did not show that households assessed to receive 24 hours of support were provided 24 hours of support.



We are questioning $106,769 when we could not determine clients received their planned hours of support. The federal share of these questioned costs is $53,384.

Duplicate payments

We are questioning $2,041, which is the federal share of 10 duplicate payments identified by the audit.

Summary of questioned costs

In total, we identified $3,971,937 in known questioned costs. The federal share of these known questioned costs is $1,985,968.

Because a statistical sampling method was used to select the 69 cost reports examined in the audit, we estimate the total improper payments to be $5,211,292. The federal share of the estimated improper payments totals $2,605,646.

Because a statistical sampling method was used to select the employee timesheets examined in the audit, we estimate the total improper payments to be $51,933,276. The federal share of the estimated improper payments totals $25,966,638.

The table below summarizes, by audit area, the known questioned costs and likely improper payments:

Audit area	Known questioned costs (state and federal)	Known questioned costs – federal portion only	Likely improper payments (state and federal)	Likely improper payments – federal portion only
Cost reports	$3,861,086	$1,930,543	$5,211,292	$2,605,646
Timesheets	$106,769	$53,384	$51,933,276	$25,966,638
Duplicate payments	$4,082	$2,041	-	-
Totals	**$3,971,937**	**$1,985,968**	**$57,144,568**	**$28,572,284**

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

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our "best estimate of total questioned costs" as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

Recommendations

We recommend the Department:

- Implement procedures to verify if information submitted by providers is accurate and conforms with generally accepted accounting principles
- Establish consistent activities for monitoring providers to ensure they comply with cost report instructions

- Discontinue the practice of crediting providers for the cost of overtime when calculating Settlement A
- Establish policy and monitoring activities to ensure individual clients receive their assessed hours of support
- Activate the system edit that prevents duplicate payments to supported living providers
- Seek recovery of overpayments made to providers identified by the audit
- Consult with the U.S. Department of Health and Human Services regarding whether the questioned costs identified by the audit should be repaid

Department's Response

The Department partially concurs with the finding.

As stated in previous findings, RCW 71A.12.060 provides the Secretary the authority to authorize payments for individuals in community residential programs. The system is designed to allow for resource flexibility by the Supporting Living (SL) provider throughout the year to enable the provider to efficiently meet the changing needs of the individual clients. The Department requires that over the course of a calendar year, clients receive all authorized instruction and support services (ISS) hours.

SL providers are required to complete an annual cost report. The cost report reconciles ISS hours and dollars authorized to ISS hours and dollars provided. The SL provider attests to the accuracy of the cost report. A settlement is issued to any SL provider who fails to meet the standards as prescribed in DDA Policy 6.04.

<u>*Cost Reports and Settlements*</u>
Rates are established through a rate assessment process which includes a method to adjust for the sharing of support hours within households or clusters. The assessment also includes a method to account for needed supports that occur on an infrequent basis over time, such as weekly, monthly or annual events. All of these items are factored into calculating a daily rate for the individual client. The cost reports are not used to provide information to establish rates or allocate appropriate funds from the Legislature or the Department.

During the cost settlement process the Department works in tandem with the provider to document and adequately verify that the records, such as payroll records, are correct. The analysts may request additional supporting documentation during the process of cost settlement. During this audit, we do not believe that the State Auditor's Office (SAO) requested additional supporting or clarifying documentation from providers.

In relation to provider employees not being properly categorized, Department policy 6.04 states that for staff who perform both administrative/ non-staff functions and ISS, the service provider may include that portion of the employee's hours that are dedicated to ISS function. In order to have accurately reviewed the job classifications, the auditors would have had to review every job description. The Department believes this in-depth review was not completed during the audit. In determining which payments were not allowed, it appears that SAO relied upon the job title rather than the job functions of a position. For example, the staff with the job title of accountant or representative payee may support clients with their finances.

Documents provided by SAO show some of the providers' record keeping does not adequately support the hours. Training to the providers will be offered and will focus on having adequate back up information to support the ISS expenses. The Developmental Disabilities Administration's (DDA) Rate Unit will continue to review a targeted sample of provider records to evaluate whether supporting documentation is adequate.

The DDA Rate Analyst team will continue to complete desk audits. When payment discrepancies are identified, Department staff work with the provider to address the payment discrepancies. This ensures the adequate rates are being paid and many of the over/under payments are addressed prior to receiving the cost reports.

The Department will continue to use its sampling method to verify that information submitted by providers is accurate. This sampling method combines statistical sampling with risk assessment in order to determine a sample of agencies from whom additional documentation will be requested. The additional documentation is used to verify ISS costs. For the upcoming 2018 cost report review the Department intends the sample size to be approximately one quarter of the supported living agencies.

The Department has the authority to reimburse the service provider for services delivered. The Department can grant an exception to the payment rate. The hours purchased at the higher benchmark may be adjusted for the total hours purchased. Overtime costs are necessary to adequately support clients to meet their health and safety needs.

The Department will continue to use its authority to consider provider circumstances, such as overtime and grant exceptions as necessary when calculating Settlement.

Current policy and monitoring activities will remain in place to ensure individual client assessed support needs are met.

Employee Timesheets:
The discrepancy of hours written in the report does not take into consideration that the rate assessment is based on a client's daily, weekly and annual needs for support services.

Support services such as medical appointments and essential shopping are not always done on a daily basis; rather, they are evaluated and spread out over the entire year. For example, a client assessed at 15 hours a day, or 450 a month may have three annual medical appointments that take an additional 24 hours of support during one month. The algorithm factors that in for the entire year to determine the daily rate. This also would be the case for other supports that do not occur daily. The daily rate encompasses these support hours. The staffing plan is based on an average of the client's assessed needs and is a snapshot. The staffing plan is not intended to be a reflection of the daily hours provided. DDA does not believe that the audit accounted for this consideration.

In regard to provider poor record keeping, DDA concurs with the finding.

Duplicate Payments

The Department concurs with the duplicate payment finding. This occurred due to an issue with an edit in ProviderOne. DDA will continue to work with HCA to explore remedies. DDA will process overpayments for the duplicate payments identified in this audit.

Auditor's Concluding Remarks

During the audit, we worked directly with providers to request their detailed payroll information and staff schedules and performed an independent reconciliation of their cost reports. Department staff who reconcile the cost reports said they do not have procedures in place to verify or review the accuracy of provider cost reports. Had such procedures been in place, we would have reviewed them as part of the audit. We did review the Department's desk audit process, which reconciles hours a provider attested were provided to all clients in the agency to the provider's payment data. The Department does not verify whether the information is accurate.

Regarding our review of the categorization of ISS employee hours in provider cost report schedules, we did not question costs because the 43 out of 69 sampled providers did not properly classify their employees in their cost reports. We included this in the finding because, in its instructions to providers, the Department required the information be submitted when requested, and it was not provided 62 percent of the time.

When reconciling employee timesheets, we requested that providers supply us with the job classification for all employees who provided direct support hours to clients in the sample. If we were unsure of an employee's job classification and provision of hours, we contacted providers directly to seek clarification.

The Department did not provide any information during the audit about its statistically sampling method used to verify provider information.

We questioned costs when providers were paid for hours it did not provide to clients. We acknowledge the Department decided to issue some providers a credit when their employees worked overtime. This credit should have been accounted for when calculating Settlement B (total payments to providers minus cost to provide the services), not Settlement A (total hours paid to providers minus the actual hours provided to clients).

We reaffirm our finding and will follow up in our next audit.

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.303 Internal controls, states in part:
The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.403 Factors affecting Allowability of costs.

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the sample purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
(g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

(a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
   (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
   (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
   (3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

Section 433.300 Basis, states in part:

This subpart implements -

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.

(b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

(a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.

(b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

(c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -

(1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;

(2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or

(3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.

(d) *Overpayments resulting from fraud.*

(1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.

(2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such

State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

(3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

(e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.

(f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:

(1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.

(2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.

(g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

(h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

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

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
>
> **Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:
>
> **Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.
>
> **Probable.** The future event or events are likely to occur.
>
> **Significant deficiency in internal control over compliance.** A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
>
> **Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2017, *Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster*, states in part:

> **General Audit Approach for Medicaid Payments**
>
> To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State's documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

Department of Social and Health Services - Application for a §1915(c) Home and Community – Based Services Waiver, approved in 2015.

Appendix I: Financial Accountability

I-2: Rates, Billing and Claims, states in part:

a. Rate Determination Methods

Personal Care

Annual cost reports are required that itemize the cost of providing the contracted service for the calendar year. Cost reports are desk audited to determine accuracy and the reasonableness of reported costs. Reported revenue received is reconciled to DSHS/SSPS payment information to determine over/under payments for services.

Settlements are calculated by ADSA staff to determine pay back amounts in cases where providers contracted for more direct service hours than they provided, or received more reimbursement for direct care costs than was paid out. There is no settlement provisions for the non-direct care staff components of the payment rate.

Washington Administrative Code WAC 388-101D-0025

Service provider responsibilities.

(1) Service providers must meet the requirements of:
  (a) This chapter;
  (b) Each contract and statement of work entered into with the department;
  (c) Each client's individual support plan when the individual support plan identifies the service provider as responsible; and
  (d) Each client's individual instruction and support plan.
(2) The service provider must:
  (a) Have a designated administrator and notify the department when there is a change in administrator;
  (b) Ensure that clients have immediate access to staff, or the means to contact staff, at all times;
  (c) Provide adequate staff within contracted hours to administer the program and meet the needs of clients;
  (d) Not routinely involve clients in the unpaid instruction and support of other clients;
  (e) Not involve clients receiving crisis diversion services in the instruction and support of other clients; and
  (f) Retain all records and other material related to the residential services contract for six years after expiration of the contract.

Department of Social and Health Services, Developmental Disabilities Administration Policy 6.04 states in part:

POLICY

A. Service providers shall report costs of operations for the purpose of certifying the costs of services provided and to determine any settlements due.

PROCEDURES

I. REPORTING

A. Cost Reports

C. In order for a service provider to receive payments under the residential reimbursement system, the service provider must submit an annual DDA cost report covering the completed calendar year. Completing Cost Reports and Maintaining Records

2. DDA Rates Unit will analyze the submitted cost report and financial statement of each service provider to determine if this information is correct, complete, and reported and conforms with generally accepted accounting principles and the requirements of this contract and the referenced policies, rules, and regulations. If the analyst finds that the cost report or financial statements are incorrect or incomplete, DDA may make adjustments to the reported information or request that the service provider makes revisions.

II. COST REPORT COMPONENTS

A. Instruction and Support Services

4. DDA may request job descriptions for employees to verify the duties of the positions. Paid hours worked and payroll costs charged to ISS for cost reporting purposes must be verifiable in the service provider's records, including time sheets and schedules for actual hours worked. The number of ISS paid hours reported for any individual employee or owner of a service provider must not exceed 3,120 hours per year (designated live-in staff are exempt from this limitation.)

6. The cost report will include schedules to report summary totals of employee hours and costs. The provider must maintain on file the details by employee, as this information may be requested by DDA.

III. SETTLEMENT

1. Settlement Definition. The settlement shall be for underutilization of contracted and paid service hours and dollars in the instruction and support service cost center.

2018-059 **The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.**

Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT	
Applicable Compliance Component:	Activities Allowed / Unallowed Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$1,362,413 ($1,241,764 - personal care services) ($120,649 - associated costs)	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2018.

The Aging and Long-Term Support Administration within the Department of Social and Health Services (Department) offers personal care and other services to support Medicaid clients in community settings through the Community First Choice program. Clients who choose to receive services in their own home have two options for the delivery of their personal care services. One option is to have the services provided by a home care aide who is recruited, trained, employed and supervised by a home care agency. The other option is for the client to recruit, hire and supervise their own provider. This type of employee is referred to as an individual provider.

The Department uses an assessment to evaluate a client's support needs and to calculate the number of personal care hours the client is eligible to receive. During the assessment process, a person-centered service plan is developed and is required by federal regulation. Among others, the service plan must:

- Reflect the individual's strengths and preferences
- Reflect clinical and support needs
- Include identified goals and desired outcomes
- Reflect the services and supports that will help the individual to achieve identified goals
- Reflect risk factors and measures in place to minimize them

- Be distributed to the client and other people involved in the plan

For Community First Choice services to be allowable, the federal regulation also requires the plan be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation.

During the program's development at the federal level, stakeholders said it could be logistically complicated for all providers to sign the plan and asked if signatures for plan agreement could be obtained through formats other than the service plan.

Federal regulators said they expect that any provider responsible for implementing services or supports authorized in the service plan should receive and sign the individual's service plan, because this would be necessary to not only understand the level of Community First Choice services and supports needed by an individual, but also the individual's strengths, preferences, goals and desired outcomes related to the provision of the services and supports.

The state plan says the person-centered service plan will be agreed to in writing by the participant and those responsible for implementing the plan. State rules require the client (or a legal representative) to give consent for services and approve their plan of care, and allow the Department to terminate services if the plan is not signed and the service summary returned to the Department within 60 days of the client's assessment completion date. In fiscal year 2018, the state Medicaid program paid about $1 billion to providers on behalf of Community First Choice clients.

Description of Condition

The Department's Aging and Long-Term Support Administration did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.

Department management did not establish adequate monitoring procedures to ensure client service plans were properly signed by Department staff and clients within 60 days of service authorization. The Department's business practice has not been designed to obtain provider signatures on client service plans.

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

In the prior audit, we reported the Department's Aging and Long-Term Support Administration did not have adequate internal controls in place to ensure client service plans were properly approved. The prior audit included a review of Department and client signatures on person-centered service plans. During the current audit, we expanded our scope to include a review of provider signatures on the plans to comply with federal requirements. The prior finding number was 2017-045.

Cause of Condition

Department managers said they did not require provider signatures on the service plans. For clients who receive their services from individual providers, the Department asserts that when the provider signs their contract, they are agreeing to carry out their responsibilities related to the client's service plan and believes this process satisfies the federal requirement related to plan signatures. The Department said it sends copies of the plan to individual providers, but they are not required to acknowledge they received or reviewed the plan.

Management acknowledged a backlog of documents being scanned into client records. The Department believes the backlog and the process in getting documents to the Document Management System unit for scanning contributed to the number of client records without a signed service summary.

Effect of Condition and Questioned Costs

We used a statistical sampling method to randomly select 86 Community First Choice clients, from a total population of 47,060 that received services from an individual provider or home care agency during the audit period. We examined the client files for evidence that the service plans had been finalized and agreed to in writing as required by federal and state regulation.
Specifically, we found:

Department signatures – 32 signature issues involving 29 clients

- The Department could not locate 22 person-centered service plan signature pages
- The Department did not sign three of the plans
- The Department signed seven plans after 60 days

Client signatures – 38 signature issues involving 31 clients

- The Department could not locate 22 person-centered service plan signature pages
- The Department did not obtain client signatures on eight of the plans
- The Department obtained signatures on eight plans after 60 days

Provider signatures – 180 signature issues involving 67

- The Department could not locate 40 person-centered service plan signature pages
- The Department did not obtain provider signatures on 138 plans
- The Department obtained signatures on two plans after 60 days

We also performed follow-up testing on our 2017 audit finding that identified 25 instances when the Department either did not monitor to ensure the plans were received within 60 days or that plans had valid Department and/or client signatures. For all of the previously reported instances, client service plans were still not complete for part or all of the current audit period.

Because some plans were not properly approved or the Department could not locate some plans, we determined the Department made $2,187,880 in unallowable payments to providers. We are questioning $1,241,764, which is the federal portion of the unallowable payments.

When unallowable payments are identified, federal regulations suggest auditors consider if associated costs, such as benefits, were also paid. For clients who receive their services from individual providers, the Department pays payroll-related benefits, which are considered associated costs, on behalf of Community First Choice providers. Examples of these costs include health insurance, retirement, payroll taxes and training.

We identified at least $213,066 in associated costs that we also consider to be unallowable. We are questioning at least $120,649, which is the federal portion of the unallowable payments related to associated costs. The Department contracts with a vendor that manages the individual provider payroll system, called IPOne. The system is currently unable to make overpayment adjustments and until the issue is resolved, the Department will not know the exact amount of associated costs to refund to the grantor. In addition, the system has been unable to correctly calculate State Unemployment Tax Act (SUTA) taxes since it began processing payroll on April 1, 2016.

Including associated costs, the total amount we are questioning is $2,400,946. The federal share is $1,362,413

Estimated improper payments

Because a statistical sampling method was used to select the payments we examined, we estimate the total improper payments to be $523,252,627. The federal share of this estimate is $297,743,259.

For the $523,252,627 in likely improper payments, we estimate the amount of likely associated improper payments to be $45,375,943. The federal share of this estimate is $25,698,442.

The following table summarizes the known questioned costs and estimated improper payments by federal or state funds.

Projection to population	Known questioned costs	Estimated improper payments
Federal expenditures	$1,362,413	$297,743,259
State expenditures	$1,038,533	$225,509,368
Total expenditures	**$2,400,946**	**$523,252,627**

The statistical sample used for testing was also used to test compliance with other activities allowed requirements. Because some unallowable payments we examined violated multiple areas of activities allowed some of the questioned costs reported here might also be reported in finding numbers 2018-050, 2018-051, 2018-055, 2018-056, and 2018-060

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our "best estimate of total questioned costs" as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

Recommendations

We recommend the Department's Aging and Long-Term Support Administration:

- Require provider signatures on person-centered service plans
- Provide additional training to staff on the federal regulation and state rule that require client service plans to be agreed to in writing
- Continue monitoring activities to ensure staff follow federal and state requirements
- Identify all associated costs related to the unallowable payments for personal care services provided by individual providers
- Consult with the U.S. Department of Health and Human Services to determine if the questioned costs identified by the audit should be repaid

Department's Response

The Department partially concurs with the finding.

The Department agrees that person-centered service plans must be signed by the Department, client, and provider responsible for its implementation. The Department disagrees with the assignment of improper payments based on whether the service plan was signed by individuals responsible for its implementation. Centers for Medicare and Medicaid Services (CMS) has provided guidance to the Department stating that the federal rules covering eligibility for services are separate from the rules on person centered service planning. The lack of a signed service plan does not make a client ineligible for services and therefore should not result in an improper payment. In all the cases reviewed by the State Auditor's Office (SAO), the Department made payments to qualified providers for covered services delivered to eligible beneficiaries.

CMS did provide guidance that in some cases it may not be possible to obtain client signatures as required by federal rules, and gave direction on steps the Department can take to comply with the rules while still authorizing services without a client's signature. Based on this guidance, effective December 2018, the Department changed its regulations to no longer require the termination of services should a client not return a signed service plan within 60 days of the completion of their assessment. As the previous rule was in conflict with federal guidance, and has subsequently been revised, the Department disagrees with the SAO's assertion that the seven service plans that were signed by a client after 60 days should result in an improper payment. In addition, the Department disagrees that the seven Department signatures and two provider signatures received after 60 days should result in exceptions. The federal and state requirements do not require a Department or provider signature within 60 days of the completion of the client's assessment.

The Department disagrees with the SAO's assertion that the Department did not require provider signatures. The Department has historically included a clause in provider contracts requiring the provider to complete all personal care tasks included in the client's person-centered service plan up to the authorized hours to the provider. Every service plan is reviewed with providers and the providers must be willing and able to complete the tasks assigned to them. All providers are required to sign the contract, and the Department had interpreted 42 CFR 441.540(b)(9) as being satisfied by this signature. The Department received guidance from CMS on March 5, 2019 notifying the Department *that this interpretation does not comply with federal rules. The Department will revise its policies and procedures to ensure providers sign the person-centered service plans in the future. The Department will also make additions to the quality assurance process to monitor compliance with obtaining provider signatures.*

In January of 2017, the Department made changes to its quality assurance procedures to monitor for compliance in obtaining client signatures on service plans. If proficiency is below the CMS standard of 86%, a proficiency improvement plan will be developed. Additionally, technical upgrades have been implemented in the Comprehensive Assessment and Reporting Evaluation (CARE) assessment tool to allow the client to sign their service plan via an electronic method. The Long-Term Care manual is being revised to outline this process. There will also be training and outreach efforts to educate field staff on these new methods and on person-centered approaches to obtain a client's signature. The Department's quality assurance team, as part of its established annual audit cycle, will monitor to ensure there is a signed service plan in the Department's records, and if not, will verify that an alternate form of consent has been given by the client and what attempts were made to obtain the signature. The Department will complete targeted reviews to measure compliance and determine additional next steps necessary for increased proficiency with this requirement.

Auditor's Concluding Remarks

42 CFR, Section 441.540, states that person centered service plans must be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation.

2 CFR, Section 200.53, states that an improper payment is any payment that should not have been made under statutory, contractual, administrative, or other legally applicable requirements. We consider these payments unallowable because the Department did not obtain signatures to finalize the plans.

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

Applicable Laws and Regulations

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

Section 200.53 Improper Payments states:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

Section 433.300 Basis.

This subpart implements -

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.

(b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

(a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.

(b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

(c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -

(1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;

(2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or

(3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.

(d) *Overpayments resulting from fraud.*

(1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.

(2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

(3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

(e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.

(f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:

(1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.

(2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.

(g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

(h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

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

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

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

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

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

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

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

Title 42, Code of Federal Regulations, Section 441 Services: Requirements and Limits Applicable to Specific Services, states in part:

Section 441.540 Person-centered service plan.

- (b) The person-centered service plan. The person-centered service plan must reflect the services and supports that are important for the individual to meet the needs identified through an assessment of functional need, as well as what is important to the individual with regard to preferences for the delivery of such services and supports. Commensurate with the level of need of the individual, and the scope of services and supports available under Community First Choice, the plan must:
  - (9) Be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation.
- (c) Reviewing the person-centered service plan. The person-centered service plan must be reviewed, and revised upon reassessment of functional need, at least every 12 months, when the individual's circumstances or needs change significantly, and at the request of the individual.

Section 441.720 Independent assessment, states in part:

- (a) Requirements. For each individual determined to be eligible for the State plan HCBS benefit, the State must provide for an independent assessment of needs, which may include the results of a standardized functional needs assessment, in order to establish a service plan. In applying the requirements of section 1915(i)(1)(F) of the Act, the State must:
  - (1) Perform a face-to-face assessment of the individual by an agent who is independent and qualified as defined in § 441.730, and with a person-centered process that meets the requirements of § 441.725(a) and is guided by best practice and research on effective strategies that result in improved health and quality of life outcomes.
    - (i) For the purposes of this section, a face-to-face assessment may include assessments performed by telemedicine, or other information technology medium, if the following conditions are met:
      - (C) The individual provides informed consent for this type of assessment.
  - (3) Examine the individual's relevant history including the findings from the independent evaluation of eligibility, medical records, an objective evaluation of functional ability, and any other records or information needed to develop the person-centered service plan as required in § 441.725.
- (b) Reassessments. The independent assessment of need must be conducted at least every 12 months and as needed when the individual's support needs or circumstances change significantly, in order to revise the service plan.

Medicaid Program; Community First Choice Option, 77 Fed. Reg. 88 (May 7, 2012). *Federal Register: The Daily Journal of the United States,* Web. 7 May 2012

Comment: Another commenter indicated that the requirement for all individuals and providers to sign the plan may be onerous and logistically complicated as consumers can change providers frequently for a variety of reasons, and consumers should be able to obtain agreement from providers through formats other than the service plan.

Response: After consideration of these comments we have revised the final regulation to indicate that the plan be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation…we expect that any provider that is responsible for implementing services or supports authorized in the service plan should receive and sign the individual's service plan, as this would be necessary to not only understand the level of CFC services and supports needed by an individual, but also the individual's strengths, preferences, goals and desired outcomes related to the provision of the services and supports.

Washington Administrative Code WAC 388-106-0045 When will the department authorize my long-term care services? states in part:

The department will authorize long-term care services when you:

(1) Are assessed using CARE;
(2) Are found financially and functionally eligible for services including, if applicable, the determination of the amount of participation toward the cost of your care and/or the amount of room and board that you must pay;
(3) Have given written consent for services and approved your plan of care;

Washington Administrative Code WAC 388-106-0047 When can the department terminate or deny long-term care services to me? states in part:

(3) The department will terminate long-term care services if you do not sign and return your service summary document within sixty days of your assessment completion date.

Washington State Medicaid State Plan-Community First choice State Plan Option, states in part:

X. Person-Centered Service Plan Development Process

a. Indicate how the service plan development process ensures that the person-centered service plan addresses the individual's goals, needs (including health care needs), and preferences, by offering choices regarding the services and supports they receive and from whom.

   The person-centered service plan will be developed and implemented in accordance with 42 CFR 441.550 (b).

   The person-centered service plan will be understandable to the participant, will indicate the individual and/or entity responsible for monitoring the plan, and will be agreed to in writing by the participant and those responsible for implementing the plan.

2018-060 **The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.775 State Medicaid Fraud Control Units 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare 93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	1805WA5MAP; 1805WA5ADM; 1805WAIMPL; 1805WAINCT
Applicable Compliance Component:	Activities Allowed / Unallowed Allowable Costs/Cost Principles
Known Questioned Cost Amount:	$1,089,551 ($931,694 - personal care services) ($157,857 - associated costs)

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.7 billion in federal and state funds during fiscal year 2017.

The Developmental Disabilities Administration in the Department of Social and Health Services (Department) offers personal care and other services to support Medicaid clients in community settings through the Community First Choice program. Clients who choose to receive services in their own home have two options for the delivery of their personal care services. One option is to have the services provided by a home care aide who is recruited, trained, employed and supervised by a home care agency. The other option is for the client to recruit, hire and supervise their own provider. This type of employee is referred to as an individual provider.

The Department uses an assessment to evaluate a client's support and to calculate the number of personal care hours the client is eligible to receive. During the assessment process, a person-centered service plan is developed and is required by federal regulation. Among other requirements, the service plan must:

- Reflect the individual's strengths and preferences
- Reflect clinical and support needs
- Include identified goals and desired outcomes
- Reflect the services and supports that will help the individual to achieve identified goals

- Reflect risk factors and measures in place to minimize them
- Be distributed to the client and other people involved in the plan

For Community First Choice services to be allowable the federal regulation also requires the plan to be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation.

During the program's development at the federal level, stakeholders said it could be logistically complicated for all providers to sign the plan and asked if signatures for plan agreement could be obtained through formats other than the service plan.

Federal regulators responded by saying they expect that any provider responsible for implementing services or supports authorized in the service plan should receive and sign the individual's service plan, because this would be necessary to not only understand the level of Community First Choice services and supports needed by an individual, but also the individual's strengths, preferences, goals and desired outcomes related to the provision of the services and supports.

The state plan says the person centered service plan will be agreed to in writing by the participant and those responsible for implementing the plan. State rules require the client (or a legal representative) to give consent for services and approve their plan of care and allows the Department to terminate services if the plan is not signed and the service summary returned to the Department within 60 days of the client's assessment completion date. In fiscal year 2018, the state Medicaid program paid about $1 billion to providers on behalf of Community First Choice clients.

Description of Condition

The Department's Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client support plans were properly approved.

Department management had not established adequate monitoring procedures to ensure client service plans were properly signed by Department staff and clients within 60 days of service authorization. The Department's business practice had not been designed to obtain provider signatures on client service plans.

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

In the prior two audits, we reported the Department's Developmental Disabilities Administration did not have adequate internal controls in place to ensure client service plans were properly approved. The prior audit included a review of Department and client signatures on person-centered service plans. During the current audit, we expanded our scope to include a review of provider signatures on the plans to comply with federal requirements. The prior finding numbers were 2017-046 and 2016-043.

Cause of Condition

Department managers said they did not require provider signatures on the service plans. For clients who receive their services from individual providers, the Department asserts that when the individual provider signs their contract, they are agreeing to carry out their responsibilities related to the client's service plan. The Department said it sends copies of the plan to individual providers, but they are not required to acknowledge they received or reviewed the plan.

For clients who receive their services from home care agencies, the Department asserts that by contract, home care agencies are required to get worker signatures and it has delegated the monitoring of the contracts to Area Agencies on Aging.

Formal training was provided during the audit period, but the Department said it did not have time since the last audit to fully implement its corrective action.

Effect of Condition and Questioned Costs

We used a statistical sampling method to randomly select 86 Community First Choice clients from a total population of 14,227 that received services from an individual provider or home care agency during the audit period. We examined the client files for evidence that the service plans had been finalized and agreed to in writing as required by federal and state regulation. Specifically, we found:

Department signatures –31 signature issues involving 22 clients

- The Department could not locate 25 person-centered service plan signature pages
- The Department did not sign two of the plans
- The Department signed four plans after 60 days

Client signatures – 31 signature issues involving 22 clients

- The Department could not locate 25 person-centered service plan signature pages
- The Department did not obtain client signatures on one plan
- The Department obtained signatures after 60 days on five plans

Provider signatures – 215 signature issues involving 68 clients

- The Department could not locate 55 person-centered service plan signature pages
- The Department did not obtain provider signatures on 155 plans
- The Department obtained signatures after 60 days on five plans

We also performed follow-up testing on seven instances that were identified during our 2017 audit when the Department either did not monitor to ensure the plans were received within 60 days or that plans had valid Department and/or client signatures. Specifically, we found:

Department signature – one signature issue involving one client

- The Department signed one plan after 60 days

Provider signatures – three signature issues involving three clients

- The Department did not obtain provider signatures on three plans

Because some plans were not properly approved or the Department could not locate some plans, we determined the Department made $1,654,909 in unallowable payments to providers. We are questioning $931,694, which is the federal portion of the unallowable payments.

When unallowable payments are identified, federal regulations suggest auditors consider if associated costs, such as benefits, were also paid. For clients who receive their services from individual providers, the Department pays payroll-related benefits, which are considered associated costs, on behalf of Community First Choice providers. Examples of these costs include health insurance, retirement, payroll taxes and training.

We identified at least $279,072 in associated costs that we also consider to be unallowable. We are questioning $157,857, which is the federal portion of the unallowable payments related to associated costs. The Department contracts with a vendor that manages the individual provider payroll system, called IPOne. The system is currently unable to make overpayment adjustments and until the issue is resolved, the Department will not know the exact amount of associated costs to refund to the grantor. In addition, the system has been unable to correctly calculate State Unemployment Tax Act (SUTA) taxes since it began processing payroll on April 1, 2016.

Including associated costs, the total amount we are questioning is $1,933,981. The federal share is $1,089,551

Estimated improper payments

Because a statistical sampling method was used to select the payments we examined, we estimate the total improper payments to be $170,353,801. The federal share of this estimate is $96,633,509.

For the $170,353,801 in likely improper payments, we estimate the amount of likely associated improper payments to be $25,624,714. The federal share of this estimate is $14,637,951.

The following table summarizes the known questioned costs and estimated improper payments by federal or state funds.

Projection to population	Known questioned costs	Estimated improper payments
Federal expenditures	$1,089,551	$96,633,509
State expenditures	$844,430	$73,720,292
Total expenditures	**$1,933,981**	**$170,353,801**

The statistical sample used for testing was also used to test compliance with other activities allowed requirements. Because some unallowable payments we examined violated multiple areas of activities allowed some of the questioned costs reported here might also be reported in finding numbers 2018-050, 2018-051, 2018-055, 2018-056, and 2018-059.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our "best estimate of total questioned costs" as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

Recommendations

We recommend the Department's Developmental Disabilities Administration:

- Require provider signatures on person-centered service plans
- Provide additional training to staff on the federal regulation and state rule that require client service plans to be agreed to in writing
- Continue monitoring activities to ensure staff follow federal and state requirements
- Identify all associated costs related to the unallowable payments for personal care services provided by individual providers
- Consult with the U.S. Department of Health and Human Services to determine if the questioned costs identified by the audit should be repaid

Department's Response

The Department partially concurs with the finding.

The Department agrees that it must comply with federal regulations regarding obtaining signatures on clients' person-centered service plans. The Department does not agree that improper payments can be assigned when a person-centered service plan is not signed by an individual responsible for its implementation. Centers for Medicare and Medicaid Services (CMS) has provided guidance to the Department stating that the federal rules covering eligibility for services are separate from the rules on person-centered service planning. In all the cases reviewed by the State Auditor's Office (SAO), the Department made payments to qualified providers for covered services delivered to eligible beneficiaries. The lack of a signed person-centered service plan does not make a client ineligible for services or a provider unqualified to provide services and therefore should not result in an improper payment.

The Department also disagrees that any signatures received after 60 days should result in exceptions. Federal regulations require signatures, but not within a specified amount of time. CMS did provide guidance that in some cases it may be difficult to obtain signatures and gave direction on steps the

Department can take to comply with the rules while still continuing services without the required signatures. Based on this guidance, effective December 2018, the Department changed its regulations for the Community First Choice Program to no longer require the termination of services should a client not return a signed person-centered service plan within 60 days of the completion of their assessment.

The Department developed a process that it believed to be sufficient to meet the federal regulation regarding provider signatures on person-centered service plans. With the implementation of the Community First Choice Program the Department purposely changed policies and processes regarding provider responsibilities in person-centered service plan implementation, in order to meet the intent of the federal regulation. The Department included a clause in provider contracts requiring the provider to complete all personal care tasks included in the client's person-centered service plan, at the direction of the client. The contract requires the provider to assure that they are willing and able to complete the tasks assigned to them in the client's person-centered service plan and indicates they will receive a copy of the person-centered service plan. The contract further states that the client's person-centered service plan is incorporated as an addendum to the contract and the provider's signature on the contract is their agreement to provide the services as outlined in the person-centered service plan. All providers are required to sign the contract. The Department received guidance from CMS on March 5, 2019, notifying the Department that this interpretation does not comply with federal rules. The Department will revise its policies and procedures to obtain providers' signatures on person-centered service plans.

The Department has quality assurance processes in place to monitor for compliance in obtaining client and Department signatures on person-centered service plans. The DDA Quality Compliance Coordination team reviews client and Department signatures from a statewide sample. The review looks for signatures and documented attempts to obtain signatures. The review occurs in an established cycle and looks for statewide proficiency in obtaining client and Department signatures. If the annual review finds that the proficiency has fallen below 86% a quality improvement plan is implemented to improve statewide performance. In addition to monitoring by the Quality Compliance Coordination team, Case Manager Supervisors monitor compliance of all staff once per month. The Department will make additions to the quality assurance process to monitor compliance with obtaining provider signatures and DDA will develop and implement a training to the field specifically designed to provide support and guidance to staff in obtaining required signatures in a person centered way in alignment with CMS guidance.

Auditor's Concluding Remarks

42 CFR, Section 441.540, states that person centered service plans must be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation.

2 CFR, Section 200.53, states an improper payment is any payment that should not have been made under statutory, contractual, administrative, or other legally applicable requirements. We consider these payments unallowable because the Department did not obtain signatures to finalize the plans.

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

Applicable Laws and Regulations

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(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the sample purpose in like circumstances has been allocated to the Federal award as an indirect cost.

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(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
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Section 433.300 Basis.

This subpart implements -

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.

(b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

(a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.

(b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

(c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -

(1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;

(2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or

(3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.

(d) *Overpayments resulting from fraud.*

(1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.

(2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

(3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a

provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

(e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.

(f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:

(1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.

(2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.

(g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

(h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

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

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

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

the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

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

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

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

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

Title 42, Code of Federal Regulations, Section 441 Services: Requirements and Limits Applicable to Specific Services, states in part:

Section 441.540 Person-centered service plan.

(b) The person-centered service plan. The person-centered service plan must reflect the services and supports that are important for the individual to meet the needs identified through an assessment of functional need, as well as what is important to the individual with regard to preferences for the delivery of such services and supports. Commensurate with the level of need of the individual, and the scope of services and supports available under Community First Choice, the plan must:

  (9) Be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation.

(c) Reviewing the person-centered service plan. The person-centered service plan must be reviewed, and revised upon reassessment of functional need, at least every 12 months, when the individual's circumstances or needs change significantly, and at the request of the individual.

Section 441.720 Independent assessment, states in part:

(a) Requirements. For each individual determined to be eligible for the State plan HCBS benefit, the State must provide for an independent assessment of needs, which may include the results of a standardized functional needs assessment, in order to establish a service plan. In applying the requirements of section 1915(i)(1)(F) of the Act, the State must:

  (1) Perform a face-to-face assessment of the individual by an agent who is independent and qualified as defined in § 441.730, and with a person-centered process that meets the requirements of § 441.725(a) and is guided by best practice and research on effective strategies that result in improved health and quality of life outcomes.

    (i) For the purposes of this section, a face-to-face assessment may include assessments performed by telemedicine, or other information technology medium, if the following conditions are met:

      (C) The individual provides informed consent for this type of assessment.

(3) Examine the individual's relevant history including the findings from the independent evaluation of eligibility, medical records, an objective evaluation of functional ability, and any other records or information needed to develop the person-centered service plan as required in § 441.725.

(b) Reassessments. The independent assessment of need must be conducted at least every 12 months and as needed when the individual's support needs or circumstances change significantly, in order to revise the service plan.

Medicaid Program; Community First Choice Option, 77 Fed. Reg. 88 (May 7, 2012). *Federal Register: The Daily Journal of the United States,* Web. 7 May 2012

> Comment: Another commenter indicated that the requirement for all individuals and providers to sign the plan may be onerous and logistically complicated as consumers can change providers frequently for a variety of reasons, and consumers should be able to obtain agreement from providers through formats other than the service plan.
>
> Response: After consideration of these comments we have revised the final regulation to indicate that the plan be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation…we expect that any provider that is responsible for implementing services or supports authorized in the service plan should receive and sign the individual's service plan, as this would be necessary to not only understand the level of CFC services and supports needed by an individual, but also the individual's strengths, preferences, goals and desired outcomes related to the provision of the services and supports.

Washington Administrative Code WAC 388-106-0045 When will the department authorize my long-term care services? states in part:

> The department will authorize long-term care services when you:
> (1) Are assessed using CARE;
> (2) Are found financially and functionally eligible for services including, if applicable, the determination of the amount of participation toward the cost of your care and/or the amount of room and board that you must pay;
> (3) Have given written consent for services and approved your plan of care;

Washington Administrative Code 388-106-0047 When can the department terminate or deny long-term care services to me? states in part

> (3) The department will terminate long-term care services if you do not sign and return your service summary document within sixty days of your assessment completion date.

Washington State Medicaid State Plan-Community First choice State Plan Option, states in part:

> X. Person-Centered Service Plan Development Process
> a. Indicate how the service plan development process ensures that the person-centered service plan addresses the individual's goals, needs (including health care needs), and

preferences, by offering choices regarding the services and supports they receive and from whom.
The person-centered service plan will be developed and implemented in accordance with 42 CFR 441.550 (b).

The person-centered service plan will be understandable to the participant, will indicate the individual and/or entity responsible for monitoring the plan, and will be agreed to in writing by the participant and those responsible for implementing the plan.

2018-061 The Military Department did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of Disaster Grants-Public Assistance received required audits.

Federal Awarding Agency:	Department of Homeland Security
Pass-Through Entity:	None
CFDA Number and Title:	97.036 Disaster Grants-Public Assistance
Federal Award Number:	FEMA-1671-DR; FEMA-1734-DR; FEMA-1817-DR; FEMA-1825-DR; FEMA-1963-DR; FEMA-4056-DR; FEMA-4083-DR; FEMA-4168-DR; FEMA-4188-DR; FEMA-4242-DR; FEMA-4243-DR; FEMA-4249-DR; FEMA-4253-DR ; FEMA-4309-DR
Applicable Compliance Component:	Subrecipient Monitoring
Known Questioned Cost Amount:	None

Background

The Disaster Grants-Public Assistance (PA) program helps state, tribal and local governments pay for responding to and recovering from disasters. Following a presidential declaration of a major disaster or an emergency, the Federal Emergency Management Agency (FEMA) provides supplemental federal disaster grants assistance for debris removal, emergency protective measures and the restoration of disaster-damaged facilities owned by states, municipalities, tribes and certain private nonprofit organizations. In Washington, the PA program agency is the Military Department (Department).

In state fiscal year 2018, the Department spent over $34 million in federal PA funds.

Federal regulations require the Department to monitor award subrecipients' activities. This includes ensuring its subrecipients that spend $750,000 or more in federal grant money during a fiscal year obtain a single audit. The Department must also follow up on any audit findings a subrecipient receives that might affect the federal program, and must issue a management decision within six months of the audit report's acceptance by the Federal Audit Clearinghouse. The management decision must clearly state whether the audit finding is sustained, the reasons for the decision, and whether the auditee is expected to repay disallowed costs, make financial adjustments or take other action. These requirements help ensure grant money is used for purposes that are authorized and within the provisions of contracts or grant agreements.

Department records showed that management might have had to follow up on 228 subrecipients during the audit period.

In the prior audit, we reported the Department did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of Disaster Grants-Public Assistance received required audits. The prior finding number was 2017-052.

Description of Condition

The Department did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of Disaster Grants-Public Assistance received required audits.

During the audit period, the Department did not determine if any subrecipients received required audits and, therefore, did not determine if audit findings were followed up on and management decisions were issued promptly.

The Department had policies specifying what monitoring was required and how to perform it, but they were not followed. Management said it was in the process of revising its policies during the audit period.

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

Cause of Condition

While the Department took steps to improve its internal controls since the prior audit finding was issued, the resignation of a key staff member delayed the implementation of the new policies.

Effect of Condition

Without establishing adequate internal controls, the Department cannot ensure all subrecipients that met the threshold for an audit complied with federal grant requirements, and thus that it has met federal monitoring requirements.

Recommendations

To improve its monitoring of subrecipients, we recommend the Department:

- Verify all required audits occurred, follow up on all subrecipient audit findings related to the program and issue a management decision promptly
- Ensure its planned changes to internal controls are implemented

Department's Response

The Military Department discovered, as a result of the 2017 Audit, that the task of tracking and reviewing audits as required by 2 CFR 200 had been neglected since extensive staff turnover in July 2016. In response to the 2017 Audit, the Department has been working towards implementing the corrective action plan established in 2018. The Department updated the "Sub-Grantee Monitoring" policy (final policy approved November 28, 2018), which assigns data collection and monitoring roles and responsibilities to the Finance Department and to individual Grant Program Managers in the Department. The Finance Department is responsible for collecting audit data from sub-grantees, and has nearly completed documenting all relevant audits for sub-grantees that were issued grants in 2017 and 2018. Upon completion of this data collection effort, the Department will implement the next step of the corrective action plan, in which the Department will verify that all required audits occur and all *subrecipient audit findings related to the program are followed up on and where necessary management decision letters are issued promptly. New sub-grantees will be added to the audit tracker database, and followed up with annually as required, as new grants are awarded in 2019 and beyond. While this process was not in place during the 2017 and 2018 calendar years, the Department will finish implementing the new process by April 2019, and continue following it thereafter.*

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

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

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

(2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose

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

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

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
  (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

(f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

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

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

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

State of Washington

Single Audit Report

For Fiscal Year Ended

June 30, 2018

Auditee's Section

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State of Washington

Single Audit Report

For Fiscal Year Ended

June 30, 2018

Auditee's Section

Schedule of Expenditures of Federal Awards

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State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Programs Not Clustered

Peace Corps

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
08.U01	Peace Corps - Unknown CFDA Number	PC148072	3650	17,523	0	
	Federal Program 08.U01 Total			**17,523**	**0**	
Peace Corps Total				**17,523**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.025	Plant and Animal Disease, Pest Control, and Animal		3600	24,949	0	
10.025			3650	1,399,893	0	
10.025			4670	101,206	0	
10.025			4770	30,936	0	
10.025			4950	2,484,232	57,646	
	Federal Program 10.025 Total			**4,041,216**	**57,646**	
10.028	Wildlife Services		4770	16,990	0	
	Federal Program 10.028 Total			**16,990**	**0**	
10.054	Emergency Conservation Program		4710	3,384	3,384	
	Federal Program 10.054 Total			**3,384**	**3,384**	
10.069	Conservation Reserve Program		4770	56,796	0	
	Federal Program 10.069 Total			**56,796**	**0**	
10.072	Wetlands Reserve Program		4770	66	0	
	Federal Program 10.072 Total			**66**	**0**	
10.093	Voluntary Public Access & Habitat Incentive Program		4770	324,283	0	
	Federal Program 10.093 Total			**324,283**	**0**	
10.156	Federal-State Marketing Improvement Program		3600	33,335	0	
10.156			3650	(297)	0	
10.156			4950	177	0	
	Federal Program 10.156 Total			**33,215**	**0**	
10.163	Market Protection and Promotion		4950	2,109,833	741,134	
	Federal Program 10.163 Total			**2,109,833**	**741,134**	
10.167	Transportation Services		3650	148,060	0	
	Federal Program 10.167 Total			**148,060**	**0**	
10.170	Specialty Crop Block Grant Program - Farm Bill	ORSO131825001	3650	944	0	PT
10.170			4950	4,210,821	3,391,529	
10.170		11907778	6990	376	0	PT
	Federal Program 10.170 Total			**4,212,141**	**3,391,529**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.172	Local Food Promotion Program	UW634190	3600	(402)	0	PT
10.172			3650	20,508	0	
	Federal Program 10.172 Total			**20,106**	**0**	
10.217	Higher Education - Institution Challenge Grants Pr		3650	34,249	0	
10.217		3TH607	3650	772	0	PT
10.217			6990	148,823	0	
	Federal Program 10.217 Total			**183,844**	**0**	
10.253	Consumer Data and Nutrition Research		3600	7,266	0	
10.253		3048110944-18-039	3600	10,994	0	PT
	Federal Program 10.253 Total			**18,260**	**0**	
10.303	Integrated Programs		3650	258,722	72,813	
10.303		C0477AA	3650	(197)	0	PT
	Federal Program 10.303 Total			**258,525**	**72,813**	
10.304	Homeland Security_Agricultural		3650	377,737	0	
10.304		20130306304	3650	30,159	0	PT
10.304		20160379404	3650	(19,574)	0	PT
	Federal Program 10.304 Total			**388,322**	**0**	
10.308	Resident Instruction Grants for Insular Area Activ	RR6444188644577	3650	44,184	0	PT
	Federal Program 10.308 Total			**44,184**	**0**	
10.309	Specialty Crop Research Initiative	S15187 MOD02	3600	43,564	0	PT
10.309			3650	2,617,227	873,754	
10.309		13014NU793	3650	(62)	0	PT
10.309		2012178503	3650	34,102	0	PT
10.309		20140375704	3650	82,864	0	PT
10.309		2016149806	3650	98,839	0	PT
10.309		2016150101	3650	4,710	0	PT
10.309		2017039813	3650	181,103	0	PT
10.309		404490	3650	27,808	0	PT
10.309		7399910422	3650	166,977	0	PT
10.309		7961110753	3650	146,884	0	PT
10.309		8500042730	3650	654,189	0	PT

Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.309	Specialty Crop Research Initiative	RC104285L	3650	419,340	19,722	PT
10.309		RC106347WSU	3650	25,752	0	PT
10.309		UFDSP00010606	3650	44,331	0	PT
	Federal Program 10.309 Total			**4,547,628**	**893,476**	
10.311	Beginning Farmer and Rancher Development Program	ORSO130291	3650	6,357	0	PT
10.311		2016-70017-25348	6990	35,640	0	PT
	Federal Program 10.311 Total			**41,997**	**0**	
10.312	Biomass Research and Development Initiative Compet	MA120037	3650	(28)	0	PT
	Federal Program 10.312 Total			**(28)**	**0**	
10.328	National Food Safety Training, Education, Extension	BLK246SB003	3650	19,329	0	PT
10.328		ORSO128916	3650	6,634	0	PT
	Federal Program 10.328 Total			**25,963**	**0**	
10.329	Crop Protection and Pest Management Competitive Gr		3650	355,066	55,792	
10.329		7652310725	3650	4,362	0	PT
10.329		C0483AA	3650	33,156	0	PT
	Federal Program 10.329 Total			**392,584**	**55,792**	
10.330	Alfalfa and Forage Research Program		3650	29,605	0	
	Federal Program 10.330 Total			**29,605**	**0**	
10.331	Food Insecurity Nutrition Incentive Grants Program		3030	1,458,204	1,141,683	
10.331		ORSO127670002	3650	11,440	0	PT
	Federal Program 10.331 Total			**1,469,644**	**1,141,683**	
10.351	Rural Business Development Grant		3650	6,134	0	
	Federal Program 10.351 Total			**6,134**	**0**	
10.406	Farm Operating Loans		3650	33,013	0	
	Federal Program 10.406 Total			**33,013**	**0**	
10.443	Outreach and Assistance for Socially Disadvantaged	ORSO130090	3650	18,192	0	PT
	Federal Program 10.443 Total			**18,192**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.460	Risk Management Education Partnerships		3650	(2,398)	0	
10.460		ORSO129135	3650	5,310	0	PT
10.460		ORSO132302	3650	12,516	0	PT
	Federal Program 10.460 Total			**15,428**	**0**	
10.500	Cooperative Extension Service		3650	6,275,972	461,464	
10.500		8000081236AG	3650	6,493	0	PT
10.500		M1800199	3650	20,561	0	PT
10.500		S17103	3650	10,378	0	PT
10.500		S17160	3650	13,535	0	PT
10.500		S17175	3650	10,278	0	PT
10.500		S18094	3650	16,622	0	PT
10.500		S18129	3650	1,371	0	PT
	Federal Program 10.500 Total			**6,355,210**	**461,464**	
10.535	SNAP Recipient Integrity Education Grant		3000	19,588	0	
	Federal Program 10.535 Total			**19,588**	**0**	
10.545	Farmers' Market Supplemental Nutrition Assistance		3650	86,574	867	
	Federal Program 10.545 Total			**86,574**	**867**	
10.557	WIC Special Supplemental Nutrition Program for Wom		3030	116,925,124	33,071,935	
	Federal Program 10.557 Total			**116,925,124**	**33,071,935**	
10.558	Child and Adult Care Food Program		3500	50,882,334	50,331,218	
	Federal Program 10.558 Total			**50,882,334**	**50,331,218**	
10.560	State Administrative Expenses for Child Nutrition		3500	5,023,427	0	
	Federal Program 10.560 Total			**5,023,427**	**0**	
10.572	WIC Farmers' Market Nutrition Program (Fmnp)		3030	677,301	46,849	
	Federal Program 10.572 Total			**677,301**	**46,849**	
10.574	Team Nutrition Grants		3500	59,037	0	
	Federal Program 10.574 Total			**59,037**	**0**	
10.575	Farm to School Grant Program	HDC781	3650	6,730	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.575	Farm to School Grant Program		4950	39,146	0	
	Federal Program 10.575 Total			**45,876**	**0**	
10.576	Senior Farmers Market Nutrition Program		3000	212,828	4,595	
	Federal Program 10.576 Total			**212,828**	**4,595**	
10.578	WIC Grants to States (Wgs)		3030	205,999	0	
	Federal Program 10.578 Total			**205,999**	**0**	
10.579	Child Nutrition Discretionary Grants		3500	471,372	422,797	
	Federal Program 10.579 Total			**471,372**	**422,797**	
10.580	Supplemental Nutrition Assistance Program, Process		3000	195,709	0	
	Federal Program 10.580 Total			**195,709**	**0**	
10.582	Fresh Fruit and Vegetable Program		3500	3,259,116	3,259,108	
	Federal Program 10.582 Total			**3,259,116**	**3,259,108**	
10.596	Pilot Projects to Reduce Dependency and Increase		3000	8,713,638	6,180,271	
	Federal Program 10.596 Total			**8,713,638**	**6,180,271**	
10.604	Technical Assistance for Specialty Crops Program		3650	24,064	0	
10.604		130329001	3650	45,518	0	PT
10.604		A160082S002	3650	12,284	0	PT
10.604		ORSO130051	3650	51,062	0	PT
10.604		WAC141520	3650	331,543	0	PT
	Federal Program 10.604 Total			**464,471**	**0**	
10.664	Cooperative Forestry Assistance		3650	(1,574)	0	
10.664			4900	3,995,276	0	
	Federal Program 10.664 Total			**3,993,702**	**0**	
10.674	Wood Utilization Assistance		3600	118,959	0	
10.674			3650	145,847	0	
10.674		0100	3650	244	0	PT
	Federal Program 10.674 Total			**265,050**	**0**	
10.676	Forest Legacy Program		4900	10,518,838	101,448	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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For the Fiscal Year Ended
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Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 10.676 Total			**10,518,838**	**101,448**	
10.678	Forest Stewardship Program		4900	16,846	0	
	Federal Program 10.678 Total			**16,846**	**0**	
10.691	Good Neighbor Authority		4900	239,852	0	
	Federal Program 10.691 Total			**239,852**	**0**	
10.699	Partnerships Agreements		3750	3,563	0	
10.699			3800	1,306	0	
	Federal Program 10.699 Total			**4,869**	**0**	
10.777	Norman E. Borlaug International Agricultural Science		3650	24,955	0	
	Federal Program 10.777 Total			**24,955**	**0**	
10.855	Distance Learning and Telemedicine Loans and Grant		6990	5,784	0	
	Federal Program 10.855 Total			**5,784**	**0**	
10.868	Rural Energy for America Program		4710	76,881	76,881	
	Federal Program 10.868 Total			**76,881**	**76,881**	
10.902	Soil and Water Conservation		3650	37,876	0	
10.902			4710	122,541	122,541	
10.902			4770	232,947	0	
	Federal Program 10.902 Total			**393,364**	**122,541**	
10.912	Environmental Quality Incentives Program		3650	467,856	4,160	
10.912		132276001	3650	7,260	0	PT
10.912			4710	333,713	333,713	
	Federal Program 10.912 Total			**808,829**	**337,873**	
10.924	Conservation Stewardship Program		4710	2,140	2,140	
	Federal Program 10.924 Total			**2,140**	**2,140**	
10.932	Regional Conservation Partnership Program		4710	86,241	86,241	
	Federal Program 10.932 Total			**86,241**	**86,241**	
10.960	Technical Agricultural Assistance	6027 PO 430712	3600	(1)	0	PT
10.960			3650	1,519,367	565,000	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
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Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 10.960 Total			**1,519,366**	**565,000**	
10.962	Cochran Fellowship Program-International Training-		3650	58,778	0	
	Federal Program 10.962 Total			**58,778**	**0**	
10.U01	Agriculture - Unknown CFDA Number	56-034-783906145	3540	24,392	0	
10.U01		12CS11020000078	3650	18,545	0	
	Federal Program 10.U01 Total			**42,937**	**0**	
10.U02	Agriculture - Unknown CFDA Number	13JV11221637129	3650	21,004	0	
	Federal Program 10.U02 Total			**21,004**	**0**	
10.U03	Agriculture - Unknown CFDA Number	14JV11062112005	3650	98,320	0	
	Federal Program 10.U03 Total			**98,320**	**0**	
10.U04	Agriculture - Unknown CFDA Number	1581300609CA	3650	346	0	
	Federal Program 10.U04 Total			**346**	**0**	
10.U05	Agriculture - Unknown CFDA Number	15CR11062765707	3650	660	0	
	Federal Program 10.U05 Total			**660**	**0**	
10.U06	Agriculture - Unknown CFDA Number	15CS11051100033	3650	150,099	0	
	Federal Program 10.U06 Total			**150,099**	**0**	
10.U07	Agriculture - Unknown CFDA Number	15JV11221634099	3650	41,509	0	
	Federal Program 10.U07 Total			**41,509**	**0**	
10.U08	Agriculture - Unknown CFDA Number	15JV11221636125	3650	30,308	0	
	Federal Program 10.U08 Total			**30,308**	**0**	
10.U09	Agriculture - Unknown CFDA Number	15JV11261954075	3650	30,659	0	
	Federal Program 10.U09 Total			**30,659**	**0**	
10.U10	Agriculture - Unknown CFDA Number	15JV11261979074	3650	37,307	0	
	Federal Program 10.U10 Total			**37,307**	**0**	
10.U11	Agriculture - Unknown CFDA Number	15JV11272139048	3650	16,393	0	
	Federal Program 10.U11 Total			**16,393**	**0**	
10.U12	Agriculture - Unknown CFDA Number	1685501678CA	3650	(713)	0	
	Federal Program 10.U12 Total			**(713)**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.U13	Agriculture - Unknown CFDA Number	1692530464CA	3650	29,018	0	
	Federal Program 10.U13 Total			**29,018**	**0**	
10.U14	Agriculture - Unknown CFDA Number	17CS11060500002	3650	1,800	0	
	Federal Program 10.U14 Total			**1,800**	**0**	
10.U15	Agriculture - Unknown CFDA Number	17CS11132422258	3650	8,934	0	
	Federal Program 10.U15 Total			**8,934**	**0**	
10.U16	Agriculture - Unknown CFDA Number	17JV11261944071	3650	25,075	0	
10.U16		16-CS-11010400-038	4770	1,499	0	
10.U16		17-PA-11062754-038	4770	2,038	0	
10.U16		Agreement	4770	52,978	0	
	Federal Program 10.U16 Total			**81,590**	**0**	
10.U17	Agriculture - Unknown CFDA Number	17JV11261944092	3650	24,814	0	
	Federal Program 10.U17 Total			**24,814**	**0**	
10.U18	Agriculture - Unknown CFDA Number	17JV11272138023	3650	24,616	0	
	Federal Program 10.U18 Total			**24,616**	**0**	
10.U19	Agriculture - Unknown CFDA Number	18CR11060300018	3650	1,732	0	
	Federal Program 10.U19 Total			**1,732**	**0**	
10.U20	Agriculture - Unknown CFDA Number	18JV11062100039	3650	6,977	0	
	Federal Program 10.U20 Total			**6,977**	**0**	
10.U22	Agriculture - Unknown CFDA Number	9144702	3650	40,390	0	PT
	Federal Program 10.U22 Total			**40,390**	**0**	
10.U23	Agriculture - Unknown CFDA Number	WSU003470	3650	204,078	0	PT
	Federal Program 10.U23 Total			**204,078**	**0**	
Dept of Agriculture Total				**230,945,262**	**101,428,685**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.008	NOAA Mission-Related Education Awards		4610	50,763	0	
	Federal Program 11.008 Total			**50,763**	**0**	
11.011	Ocean Exploration		3600	210,741	35,756	
	Federal Program 11.011 Total			**210,741**	**35,756**	
11.012	Integrated Ocean Observing System (IOOS)		3600	3,471,045	1,922,220	
11.012		2013-014 AM06	3600	39,032	0	PT
11.012		H2400-63 AM02	3600	6,582	0	PT
11.012		H2400-82 AM02	3600	6,769	0	PT
11.012		UAF 15-0085 AM02	3600	15,755	0	PT
	Federal Program 11.012 Total			**3,539,183**	**1,922,220**	
11.017	Ocean Acidification Program		3600	62,779	0	
	Federal Program 11.017 Total			**62,779**	**0**	
11.020	Cluster Grants		1030	266,476	0	
	Federal Program 11.020 Total			**266,476**	**0**	
11.112	Market Development Cooperator Program		1030	23,964	16,750	
	Federal Program 11.112 Total			**23,964**	**16,750**	
11.303	Economic Development_Technical Assistance		3600	100,000	0	
11.303			3650	76,459	0	
11.303		ED17SEA3020076	3700	2,113	0	PT
	Federal Program 11.303 Total			**178,572**	**0**	
11.419	Coastal Zone Management Administration Awards		4610	2,862,180	0	
	Federal Program 11.419 Total			**2,862,180**	**0**	
11.436	Columbia River Fisheries Development Program		4670	307,994	260,290	
11.436			4770	8,181,172	0	
	Federal Program 11.436 Total			**8,489,166**	**260,290**	
11.437	Pacific Fisheries Data Program		3050	18,848	0	
11.437		15-85C AM02	3600	14,111	0	PT
11.437		16-104G	3600	149,193	0	PT
11.437		17-04G AM01	3600	126,953	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.437	Pacific Fisheries Data Program	17-57G AM01	3600	14,443	0	PT
11.437		16-35G	4770	202,053	0	PT
11.437		17-102G	4770	12,211	0	PT
11.437		17-113G	4770	154,987	0	PT
11.437		17-18G	4770	11,161	0	PT
11.437		17-30G	4770	76,349	0	PT
11.437		17-41C	4770	65,056	0	PT
11.437		18-63G	4770	49,114	0	PT
11.437		18-98G	4770	101,154	0	PT
11.437		WA-S-141207-031	4770	101,956	0	PT
	Federal Program 11.437 Total			**1,097,589**	**0**	
11.438	Pacific Coast Salmon Recovery_Pacific Salmon Treat	AC-1704A REV01	3600	73,245	0	PT
11.438		AC-1705A REV01	3600	20,276	0	PT
11.438		QKSSF-44914 AM02	3600	22,891	0	PT
11.438			4670	17,053,405	9,762,381	
11.438			4770	2,457,033	0	
	Federal Program 11.438 Total			**19,626,850**	**9,762,381**	
11.439	Marine Mammal Data Program		4770	154,612	0	
11.439		17-08G	4770	51,365	0	PT
11.439		18-42G	4770	139,433	0	PT
	Federal Program 11.439 Total			**345,410**	**0**	
11.441	Regional Fishery Management Councils	06-17	4770	130,988	0	PT
11.441		2017-3	4770	17,022	0	PT
11.441		2018-3	4770	50,220	0	PT
	Federal Program 11.441 Total			**198,230**	**0**	
11.452	Unallied Industry Projects	AC-1515	3600	244,322	36,141	PT
	Federal Program 11.452 Total			**244,322**	**36,141**	
11.454	Unallied Management Projects	Agreement	4770	6,177	0	PT
	Federal Program 11.454 Total			**6,177**	**0**	
11.463	Habitat Conservation	WA-S-170307-021-2	3600	22,346	0	PT
11.463			4770	223,891	0	
11.463		WA-S-161130-012	4770	332,839	0	PT

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Federal Programs Not Clustered

Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 11.463 Total			**579,076**	**0**	
11.473	Office for Coastal Management		3600	245,978	50,656	
11.473		WA-G-170818-006	3600	35,279	0	PT
	Federal Program 11.473 Total			**281,257**	**50,656**	
11.478	Center for Sponsored Coastal Ocean Research_Coasta		3600	324,030	984	
	Federal Program 11.478 Total			**324,030**	**984**	
11.549	State and Local Implementation Grant Program Sligp		2450	437,339	369,894	
	Federal Program 11.549 Total			**437,339**	**369,894**	
11.611	Manufacturing Extension Partnership	70NANB154355	6990	2,513	0	PT
	Federal Program 11.611 Total			**2,513**	**0**	
11.619	Arrangements for Interdisciplinary Research Infras	G-00745-1 AM03	3600	89,916	0	PT
11.619		S51700000029488	3600	(2,084)	0	PT
	Federal Program 11.619 Total			**87,832**	**0**	
11.U01	Commerce - Unknown CFDA Number	70NANB18H058	3650	8,872	0	
	Federal Program 11.U01 Total			**8,872**	**0**	
11.U02	Commerce - Unknown CFDA Number	S20170118	3650	209,651	0	PT
	Federal Program 11.U02 Total			**209,651**	**0**	
11.U03	Commerce - Unknown CFDA Number	07-83-07272	3700	2,245	0	PT
	Federal Program 11.U03 Total			**2,245**	**0**	
11.U04	Commerce - Unknown CFDA Number	ED17SEA3020076	3700	10,250	0	PT
	Federal Program 11.U04 Total			**10,250**	**0**	
11.U18	Commerce - Unknown CFDA Number	WE133F17SE0973	4770	17,084	0	
	Federal Program 11.U18 Total			**17,084**	**0**	
Dept of Commerce Total				**39,162,551**	**12,455,072**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Federal Programs Not Clustered

Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.010	Youth Conservation Services		4610	38,760	0	
	Federal Program 12.010 Total			**38,760**	**0**	
12.112	Payments to States in Lieu of Real Estate Taxes		0050	37,713	0	
	Federal Program 12.112 Total			**37,713**	**0**	
12.130	Estuary Habitat Restoration Program		4900	150,798	0	
	Federal Program 12.130 Total			**150,798**	**0**	
12.400	Military Construction, National Guard		2450	797,399	0	
	Federal Program 12.400 Total			**797,399**	**0**	
12.401	National Guard Military Operations and Maintenance		2450	21,320,048	(3,017)	
12.401		WAC20160740	3760	84,181	0	PT
	Federal Program 12.401 Total			**21,404,229**	**(3,017)**	
12.404	National Guard Challenge Program		2450	4,419,661	0	
	Federal Program 12.404 Total			**4,419,661**	**0**	
12.610	Community Economic Adjustment Assistance for Compa		1030	223,783	0	
12.610		WA-S-2014-015-3 AM03	3600	15,992	0	PT
	Federal Program 12.610 Total			**239,775**	**0**	
12.617	Economic Adjustment Assistance for State Government		1030	831,924	0	
	Federal Program 12.617 Total			**831,924**	**0**	
12.632	Legacy Resource Management Program		3600	66,854	0	
12.632			3650	215,297	111,473	
	Federal Program 12.632 Total			**282,151**	**111,473**	
12.750	Uniformed Services University Medical Research Pro	3066/PO# 855072 MOD04	3600	144,171	0	PT
12.750		3810 MOD 2 PO 904589	3600	70,716	0	PT
12.750		3810 MOD 2 PO 904589	3600	69,964	0	PT
12.750		S-1342-01 MOD02	3600	13,185	0	PT
	Federal Program 12.750 Total			**298,036**	**0**	
12.900	Language Grant Program		3600	90,803	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 12.900 Total			**90,803**	**0**	
12.901	Mathematical Sciences Grants Program		3600	34,721	0	
	Federal Program 12.901 Total			**34,721**	**0**	
12.903	Gencyber Grants Program		6990	62,658	0	
	Federal Program 12.903 Total			**62,658**	**0**	
12.905	Cybersecurity CORE Curriculum		3600	242,491	0	
	Federal Program 12.905 Total			**242,491**	**0**	
12.U01	DOD - Unknown CFDA Number	12971	3650	4,163	0	
	Federal Program 12.U01 Total			**4,163**	**0**	
12.U02	DOD - Unknown CFDA Number	101387	3650	5,104	0	
	Federal Program 12.U02 Total			**5,104**	**0**	
12.U03	DOD - Unknown CFDA Number	101388	3650	9,961	0	
	Federal Program 12.U03 Total			**9,961**	**0**	
12.U04	DOD - Unknown CFDA Number	101392	3650	3,737	0	
	Federal Program 12.U04 Total			**3,737**	**0**	
12.U05	DOD - Unknown CFDA Number	IPA160013	3650	82,496	0	
	Federal Program 12.U05 Total			**82,496**	**0**	
12.U06	DOD - Unknown CFDA Number	SER101405	3650	3,990	0	
	Federal Program 12.U06 Total			**3,990**	**0**	
12.U07	DOD - Unknown CFDA Number	W31P4Q17P0151	3650	19,159	0	
	Federal Program 12.U07 Total			**19,159**	**0**	
12.U08	DOD - Unknown CFDA Number	W911NF13C0031	3650	13,321	13,321	
	Federal Program 12.U08 Total			**13,321**	**13,321**	
12.U09	DOD - Unknown CFDA Number	W912HQ15C0023	3650	121,880	0	
	Federal Program 12.U09 Total			**121,880**	**0**	
12.U10	DOD - Unknown CFDA Number	W912HQ15C0076	3650	9,678	0	
	Federal Program 12.U10 Total			**9,678**	**0**	
12.U11	DOD - Unknown CFDA Number	W912HQ15C0076	3650	49,314	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 12.U11 Total			**49,314**	**0**	
12.U12	DOD - Unknown CFDA Number	W912HQ15C0076	3650	277	0	
	Federal Program 12.U12 Total			**277**	**0**	
12.U14	DOD - Unknown CFDA Number	0055ENIGWSU001	3650	45,485	0	PT
	Federal Program 12.U14 Total			**45,485**	**0**	
12.U15	DOD - Unknown CFDA Number	ARM212WSU	3650	48,033	0	PT
	Federal Program 12.U15 Total			**48,033**	**0**	
12.U16	DOD - Unknown CFDA Number	17082801	3650	37,500	0	PT
	Federal Program 12.U16 Total			**37,500**	**0**	
12.U17	DOD - Unknown CFDA Number	207LUCS95	3650	110,130	0	PT
	Federal Program 12.U17 Total			**110,130**	**0**	
12.U18	DOD - Unknown CFDA Number	3323200201841	3650	72,008	0	PT
	Federal Program 12.U18 Total			**72,008**	**0**	
12.U19	DOD - Unknown CFDA Number	45052819276	3650	19,904	0	PT
	Federal Program 12.U19 Total			**19,904**	**0**	
12.U20	DOD - Unknown CFDA Number	950621	3650	63	0	PT
	Federal Program 12.U20 Total			**63**	**0**	
12.U23	DOD - Unknown CFDA Number	HU0001161TS01	3650	119,133	0	PT
	Federal Program 12.U23 Total			**119,133**	**0**	
12.U24	DOD - Unknown CFDA Number	TASKORDERRELEASE001	3650	12,601	0	PT
	Federal Program 12.U24 Total			**12,601**	**0**	
Dept of Defense Total				**29,719,056**	**121,777**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Housing & Urban Development

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
14.169	Housing Counseling Assistance Program		1480	507,257	507,257	
14.169			2350	85,596	0	
	Federal Program 14.169 Total			**592,853**	**507,257**	
14.228	Community Development Block Grants/State's Program		1030	10,486,957	9,827,518	
	Federal Program 14.228 Total			**10,486,957**	**9,827,518**	
14.231	Emergency Solutions Grant Program		1030	2,699,202	2,698,851	
	Federal Program 14.231 Total			**2,699,202**	**2,698,851**	
14.239	Home Investment Partnerships Program		1030	6,354,619	5,699,544	
14.239		HAPC2018	1480	29,800	29,800	PT
14.239		PBEL2018	1480	110,000	110,000	PT
	Federal Program 14.239 Total			**6,494,419**	**5,839,344**	
14.241	Housing Opportunities for Persons With AIDS		1030	1,186,067	1,143,915	
	Federal Program 14.241 Total			**1,186,067**	**1,143,915**	
14.267	Continuum of Care Program		1030	389,483	0	
	Federal Program 14.267 Total			**389,483**	**0**	
14.275	Housing Trust Fund		1030	2,342,528	2,025,480	
	Federal Program 14.275 Total			**2,342,528**	**2,025,480**	
14.323	Emergency Homeowners' Loan Program	EHLP GRANT	1480	124,448	124,448	PT
	Federal Program 14.323 Total			**124,448**	**124,448**	
14.326	Proj Rental Assist Demo Prog of S811 Supprt Housing		1030	355,475	351,671	
	Federal Program 14.326 Total			**355,475**	**351,671**	
14.401	Fair Housing Assistance Program_State and Local		1200	343,500	0	
	Federal Program 14.401 Total			**343,500**	**0**	
14.536	Research and Evaluations, Demonstrations, and Data	501248SG142	3600	30,105	0	PT
	Federal Program 14.536 Total			**30,105**	**0**	
Housing & Urban Development Total				**25,045,037**	**22,518,484**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.036	Indian Rights Protection	16-6-55	3800	45,422	0	PT
	Federal Program 15.036 Total			**45,422**	**0**	
15.114	Indian Education Higher Education Grant		3650	458,148	0	
	Federal Program 15.114 Total			**458,148**	**0**	
15.224	Cultural and Paleontonlogical Resource Management		3600	16,358	0	
15.224			3650	8,570	0	
	Federal Program 15.224 Total			**24,928**	**0**	
15.225	Recreation and Visitor Services		3650	28,837	0	
15.225			4610	26,695	0	
	Federal Program 15.225 Total			**55,532**	**0**	
15.227	Distribution of Receipts to State and Local Govern		0050	26,312	0	
15.227			0900	0	(5)	
	Federal Program 15.227 Total			**26,312**	**(5)**	
15.228	Blm Wildland Urban Interface Community Fire Assist		4900	50,000	0	
	Federal Program 15.228 Total			**50,000**	**0**	
15.231	Fish, Wildlife and Plant Conservation Resource Man		3600	207,623	0	
15.231			3650	17,333	4,340	
15.231			4770	114,465	0	
15.231			4900	14,114	0	
	Federal Program 15.231 Total			**353,535**	**4,340**	
15.232	Wildland Fire Research and Studies Program		3600	140,214	24,581	
15.232		200588-00001-323	3600	2,531	0	PT
15.232		GTK601-SB-002 AM01	3600	169,193	0	PT
15.232			3650	148,344	21,196	
15.232		S000769	3650	34,982	0	PT
	Federal Program 15.232 Total			**495,264**	**45,777**	
15.238	Challenge Cost Share		3650	33,377	0	
	Federal Program 15.238 Total			**33,377**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
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Federal Programs Not Clustered

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.245	Plant Conservation and Restoration Management		3600	75,000	0	
	Federal Program 15.245 Total			**75,000**	**0**	
15.255	Science and Technology Projects Related to Coal MI		4900	13,014	0	
	Federal Program 15.255 Total			**13,014**	**0**	
15.423	Bureau of Ocean Energy Management (BOEM) Environme	UAF 18-0058	3600	52,699	0	PT
	Federal Program 15.423 Total			**52,699**	**0**	
15.512	Central Valley Improvement Act, Title Xxxiv		3600	14,421	0	
	Federal Program 15.512 Total			**14,421**	**0**	
15.514	Reclamation States Emergency Drought Relief		4610	1,060	0	
	Federal Program 15.514 Total			**1,060**	**0**	
15.517	Fish and Wildlife Coordination Act		3600	330,918	0	
	Federal Program 15.517 Total			**330,918**	**0**	
15.531	Yakima River Basin Water Enhancement Project (YRBW)		4610	64,082	0	
	Federal Program 15.531 Total			**64,082**	**0**	
15.608	Fish and Wildlife Management Assistance		3600	47,318	0	
15.608			4770	257,409	0	
	Federal Program 15.608 Total			**304,727**	**0**	
15.614	Coastal Wetlands Planning, Protection and Restorat		4610	3,751,572	2,815,496	
15.614			4770	85,098	0	
15.614			4900	396,184	0	
	Federal Program 15.614 Total			**4,232,854**	**2,815,496**	
15.615	Cooperative Endangered Species Conservation Fund	438401	3600	700	0	PT
15.615		606610-OM	3600	21,529	0	PT
15.615		629463-OM AM01	3600	307,778	0	PT
15.615			4770	4,280,700	0	
15.615			4900	699,589	29,464	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 15.615 Total			**5,310,296**	**29,464**	
15.616	Clean Vessel Act		4650	1,731,264	0	
	Federal Program 15.616 Total			**1,731,264**	**0**	
15.622	Sportfishing and Boating Safety Act		4670	542,495	521,028	
	Federal Program 15.622 Total			**542,495**	**521,028**	
15.626	Enhanced Hunter Education and Safety Program		4770	381,144	0	
	Federal Program 15.626 Total			**381,144**	**0**	
15.630	Coastal		4770	10,892	0	
	Federal Program 15.630 Total			**10,892**	**0**	
15.631	Partners for Fish and Wildlife		4670	545,140	0	
15.631			4770	954,882	0	
	Federal Program 15.631 Total			**1,500,022**	**0**	
15.634	State Wildlife Grants		4770	1,186,823	0	
15.634		Agreement	4770	23,479	0	PT
15.634		IDFW-FY18-198	4770	8,129	0	PT
	Federal Program 15.634 Total			**1,218,431**	**0**	
15.640	Wildlife Without Borders- Latin America and the CA		3650	22,203	0	
	Federal Program 15.640 Total			**22,203**	**0**	
15.648	Central Valley Project Improvement (CVPI) Anadromo		3600	38,121	0	
	Federal Program 15.648 Total			**38,121**	**0**	
15.654	National Wildlife Refuge System Enhancements		3600	1,868	0	
	Federal Program 15.654 Total			**1,868**	**0**	
15.657	Endangered Species Conservation		3600	7,440	0	
15.657		WA-S-2015-052-0	3600	(78)	0	PT
15.657			3650	15,814	0	
15.657			3760	28,183	0	
15.657		18-09956	3760	13,479	0	PT
15.657			4770	523,589	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.657	Endangered Species Conservation	White Nose Syndrome Sm	4770	666	0	PT
	Federal Program 15.657 Total			**589,093**	**0**	
15.658	Natural Resource Damage Assessment, Restoration An		3600	15,244	0	
	Federal Program 15.658 Total			**15,244**	**0**	
15.660	Endangered Species - Candidate Conservation Action		3650	15,003	0	
15.660			4770	95,136	0	
	Federal Program 15.660 Total			**110,139**	**0**	
15.661	Lower Snake River Compensation Plan		4770	4,547,166	0	
	Federal Program 15.661 Total			**4,547,166**	**0**	
15.663	National Fish and Wildlife Foundation	0103.13.040396	4770	15,355	0	PT
	Federal Program 15.663 Total			**15,355**	**0**	
15.666	Endangered Species Conservation-Wolf Livestock Los		4770	66,198	0	
	Federal Program 15.666 Total			**66,198**	**0**	
15.676	Youth Engagement, Education, and Employment		4610	59,925	0	
	Federal Program 15.676 Total			**59,925**	**0**	
15.678	Cooperative Ecosystem Studies Unit		3600	48,834	0	
15.678			3650	281,590	24,690	
	Federal Program 15.678 Total			**330,424**	**24,690**	
15.810	National Cooperative Geologic Mapping Program		3650	13,394	0	
15.810			3750	30,082	0	
15.810			3800	2,987	0	
15.810			4900	162,359	0	
	Federal Program 15.810 Total			**208,822**	**0**	
15.814	National Geological and Geophysical Data Preservat		4900	44,251	0	
	Federal Program 15.814 Total			**44,251**	**0**	
15.820	National and Regional Climate Adaptation Science C		3600	495,275	119,413	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Federal Programs Not Clustered

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.820	National and Regional Climate Adaptation Science C	GS240B-B AM09	3600	(5,920)	0	PT
15.820			3650	43,798	0	
15.820		GS343AA	3650	5,335	0	PT
	Federal Program 15.820 Total			**538,488**	**119,413**	
15.904	Historic Preservation Fund Grants-in-Aid		3550	1,112,116	203,442	
	Federal Program 15.904 Total			**1,112,116**	**203,442**	
15.916	Outdoor Recreation_Acquisition, Development and Pl		4670	2,761,490	2,624,528	
	Federal Program 15.916 Total			**2,761,490**	**2,624,528**	
15.921	Rivers, Trails and Conservation Assistance		4050	75,259	0	
	Federal Program 15.921 Total			**75,259**	**0**	
15.931	Conservation Activities By Youth Service Organizat		4610	364,168	0	
	Federal Program 15.931 Total			**364,168**	**0**	
15.946	Cultural Resources Management		3600	1,582	0	
	Federal Program 15.946 Total			**1,582**	**0**	
15.980	National Ground-Water Monitoring Network		4610	66,359	0	
	Federal Program 15.980 Total			**66,359**	**0**	
15.981	Water Use and Data Research		4610	82,300	0	
	Federal Program 15.981 Total			**82,300**	**0**	
15.U01	BIA/BIE - Unknown CFDA Number	132131001	3650	1,410	0	
	Federal Program 15.U01 Total			**1,410**	**0**	
15.U02	BIA/BIE - Unknown CFDA Number	C1711	3650	8,726	0	
	Federal Program 15.U02 Total			**8,726**	**0**	
15.U03	BIA/BIE - Unknown CFDA Number	F14PX02177	3650	5	0	
	Federal Program 15.U03 Total			**5**	**0**	
15.U04	BIA/BIE - Unknown CFDA Number	F15AC00000	3650	11,563	0	
	Federal Program 15.U04 Total			**11,563**	**0**	
15.U05	BIA/BIE - Unknown CFDA Number	31201711	3650	73,677	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 15.U05 Total			**73,677**	**0**	
15.U06	BIA/BIE - Unknown CFDA Number	L14PX00535	3650	4,039	0	
	Federal Program 15.U06 Total			**4,039**	**0**	
15.U07	BIA/BIE - Unknown CFDA Number	C1711	3650	45,801	0	PT
	Federal Program 15.U07 Total			**45,801**	**0**	
15.U08	BIA/BIE - Unknown CFDA Number	C17289	3650	14,516	0	PT
	Federal Program 15.U08 Total			**14,516**	**0**	
15.U09	BIA/BIE - Unknown CFDA Number	WSU003670	3650	11,426	0	PT
	Federal Program 15.U09 Total			**11,426**	**0**	
15.U10	BIA/BIE - Unknown CFDA Number	NA	3700	2,496	0	
	Federal Program 15.U10 Total			**2,496**	**0**	
15.U17	BIA/BIE - Unknown CFDA Number	W911S817-2-0018	3760	103,279	0	
	Federal Program 15.U17 Total			**103,279**	**0**	
Dept of the Interior Total				**28,653,346**	**6,388,173**	

State of Washington
Schedule of Expenditures of Federal Awards

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Federal Programs Not Clustered

Dept of Justice

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
16.013	Violence Against Women Act Court Training and Impr		0550	134,472	0	
	Federal Program 16.013 Total			**134,472**	**0**	
16.017	Sexual Assault Services Program		1030	524,666	503,262	
	Federal Program 16.017 Total			**524,666**	**503,262**	
16.321	Antiterrorism Emergency Reserve		1030	99,095	99,095	
	Federal Program 16.321 Total			**99,095**	**99,095**	
16.525	Grants to Reduce Domestic Violence, Dating Violence		3650	110,557	10,000	
16.525			6990	111,721	0	
	Federal Program 16.525 Total			**222,278**	**10,000**	
16.540	Juvenile Justice and Delinquency Prevention_Alloca		3000	668,855	0	
16.540		2011/2013-J-03-26108	3600	5,012	0	PT
16.540			3650	89,105	0	
	Federal Program 16.540 Total			**762,972**	**0**	
16.541	Part E - Developing, Testing and Demonstrating Pro		3000	11,761	0	
	Federal Program 16.541 Total			**11,761**	**0**	
16.550	State Justice Statistics Program for Statistical A		1050	141,182	0	
	Federal Program 16.550 Total			**141,182**	**0**	
16.554	National Criminal History Improvement Program (NCHI)		2250	426,203	165,915	
	Federal Program 16.554 Total			**426,203**	**165,915**	
16.575	Crime Victim Assistance		1030	38,495,792	27,443,419	
	Federal Program 16.575 Total			**38,495,792**	**27,443,419**	
16.576	Crime Victim Compensation		2350	4,043,024	0	
	Federal Program 16.576 Total			**4,043,024**	**0**	
16.582	Crime Victim Assistance/Discretionary Grants		1030	318,571	304,899	
	Federal Program 16.582 Total			**318,571**	**304,899**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Federal Programs Not Clustered

Dept of Justice

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
16.588	Violence Against Women - Form Grnts		1030	2,773,514	2,307,419	
16.588			6990	32,870	0	
	Federal Program 16.588 Total			**2,806,384**	**2,307,419**	
16.593	Residential Substance Abuse Treatment for State Pr		3000	56,334	22,816	
	Federal Program 16.593 Total			**56,334**	**22,816**	
16.606	State Criminal Alien Assistance Program		3100	257,060	0	
	Federal Program 16.606 Total			**257,060**	**0**	
16.609	Project Safe Neighborhoods	PSN-2015-003	3600	9,413	0	PT
	Federal Program 16.609 Total			**9,413**	**0**	
16.726	Juvenile Mentoring Program	2015JUFX0015	3650	(451)	0	PT
16.726		2016JUFX0022	3650	157,592	0	PT
	Federal Program 16.726 Total			**157,141**	**0**	
16.730	Reduction and Prevention of Children's Exposure to	9920110126	3650	208	0	PT
	Federal Program 16.730 Total			**208**	**0**	
16.738	Edward Byrne Memorial Justice Assistance Grant Pro		1030	1,098,996	647,894	
	Federal Program 16.738 Total			**1,098,996**	**647,894**	
16.741	DNA Backlog Reduction Program		2250	2,305,943	220,834	
	Federal Program 16.741 Total			**2,305,943**	**220,834**	
16.742	Paul Coverdell Forensic Sciences Improvement Grant		2250	21,032	17,153	
	Federal Program 16.742 Total			**21,032**	**17,153**	
16.750	Support for ADAM Walsh Act Implementation Grant Pr		1030	176,697	0	
	Federal Program 16.750 Total			**176,697**	**0**	
16.751	Edward Byrne Memorial Competitive Grant Program		1030	69,937	0	
	Federal Program 16.751 Total			**69,937**	**0**	
16.754	Harold Rogers Prescription Drug Monitoring Program		3030	70,974	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of Justice

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 16.754 Total			**70,974**	**0**	
16.812	Second Chance Act Reentry Initiative		3100	186,683	0	
	Federal Program 16.812 Total			**186,683**	**0**	
16.816	John R. Justice Prosecutors and Defenders Incenti		3400	31,947	31,947	
	Federal Program 16.816 Total			**31,947**	**31,947**	
16.827	Justice Reinvestment Initiative		3000	135,377	0	
	Federal Program 16.827 Total			**135,377**	**0**	
16.833	National Sexual Assault Kit Initiative		1000	53,492	0	
	Federal Program 16.833 Total			**53,492**	**0**	
16.922	Equitable Sharing Program		1950	138,000	0	
16.922			2250	93,466	0	
16.922			3100	183,544	0	
	Federal Program 16.922 Total			**415,010**	**0**	
16.U01	Justice - Unknown CFDA Number	K12780-MJ17	2250	173,087	68,464	
16.U01		K13677-MJ18	2250	14,017	0	
	Federal Program 16.U01 Total			**187,104**	**68,464**	
16.U02	Justice - Unknown CFDA Number	2017JUFX0016	3650	17,996	0	PT
	Federal Program 16.U02 Total			**17,996**	**0**	
Dept of Justice Total				**53,237,744**	**31,843,117**	

State of Washington
Schedule of Expenditures of Federal Awards

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Federal Programs Not Clustered

Dept of Labor

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
17.002	Labor Force Statistics		5400	1,617,005	0	
	Federal Program 17.002 Total			**1,617,005**	**0**	
17.005	Compensation and Working Conditions		2350	167,914	0	
	Federal Program 17.005 Total			**167,914**	**0**	
17.225	Unemployment Insurance		5400	1,022,481,742	0	
	Federal Program 17.225 Total			**1,022,481,742**	**0**	
17.235	Senior Community Service Employment Program		3000	1,074,081	971,780	
	Federal Program 17.235 Total			**1,074,081**	**971,780**	
17.245	Trade Adjustment Assistance		5400	11,596,320	0	
	Federal Program 17.245 Total			**11,596,320**	**0**	
17.261	WIOA Pilots, Demonstrations, and Research Projects		5400	17,443	0	
	Federal Program 17.261 Total			**17,443**	**0**	
17.268	H-1B Job Training Grants		2350	878,113	690,091	
17.268			3540	106,570	0	
17.268			5400	237,918	0	
17.268			6990	1,031,380	0	
17.268		K3531	6990	174,566	0	PT
	Federal Program 17.268 Total			**2,428,547**	**690,091**	
17.271	Work Opportunity Tax Credit Program (WOTC)		5400	256,407	0	
	Federal Program 17.271 Total			**256,407**	**0**	
17.273	Temporary Labor Certification for Foreign Workers		5400	223,477	0	
	Federal Program 17.273 Total			**223,477**	**0**	
17.274	Youthbuild	YB-21734-11-60-A-53	6990	12,040	0	PT
	Federal Program 17.274 Total			**12,040**	**0**	
17.277	WIOA National Dislocated Worker Grants / WIA Natio		5400	1,434,279	995,290	
17.277		C2C-SSC-AP-P17	6990	36,120	0	PT
	Federal Program 17.277 Total			**1,470,399**	**995,290**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Federal Programs Not Clustered

Dept of Labor

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
17.282	Trade Adjustment Assist Comm College & Career Trng	WSU003779	3650	17,790	0	PT
17.282			6990	5,338,317	0	
17.282		TC 26512-14-60-A-53	6990	329,615	0	PT
	Federal Program 17.282 Total			**5,685,722**	**0**	
17.285	Apprenticeship Usa Grants		2350	1,925,837	928,818	
	Federal Program 17.285 Total			**1,925,837**	**928,818**	
17.503	Occupational Safety &Health State Prog		2350	7,713,837	0	
	Federal Program 17.503 Total			**7,713,837**	**0**	
17.600	Mine Health and Safety Grants		3700	97,168	0	
	Federal Program 17.600 Total			**97,168**	**0**	
17.805	Homeless Veterans Reintegration Project		3050	304,579	0	
	Federal Program 17.805 Total			**304,579**	**0**	
Dept of Labor Total				**1,057,072,518**	**3,585,979**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Dept of State

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
19.009	Academic Exchange Programs - Undergraduate Program		6990	156,498	0	
	Federal Program 19.009 Total			**156,498**	**0**	
19.021	Investing in People in the Middle East and North A	S01SIZ10016CA008	3650	74,125	0	PT
19.021		S11SIZ10016CA008	3650	15,969	0	PT
	Federal Program 19.021 Total			**90,094**	**0**	
19.029	The U.S. President's Emergency Plan for AIDS Relie	37188-1064 MOD03	3600	775,016	0	PT
19.029		37188-1064 MOD04	3600	1,008,817	0	PT
	Federal Program 19.029 Total			**1,783,833**	**0**	
19.040	Public Diplomacy Programs		3650	34,040	18,490	
19.040		!00K292COL11	3700	43,088	0	PT
	Federal Program 19.040 Total			**77,128**	**18,490**	
19.703	Criminal Justice Systems		3600	2,408,233	0	
	Federal Program 19.703 Total			**2,408,233**	**0**	
Dept of State Total				**4,515,786**	**18,490**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Transportation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
20.106	Airport Improvement Program		4050	1,641,425	0	
	Federal Program 20.106 Total			**1,641,425**	**0**	
20.215	Highway Training and Education		3600	(992)	0	
	Federal Program 20.215 Total			**(992)**	**0**	
20.218	Motor Carrier Safety Assistance		2250	6,344,691	61,421	
20.218			4050	32,524	0	
	Federal Program 20.218 Total			**6,377,215**	**61,421**	
20.232	Commercial Driver's License Program Improvement Gr		2400	12,841	0	
	Federal Program 20.232 Total			**12,841**	**0**	
20.233	Border Enforcement Grants		2250	84,504	0	
	Federal Program 20.233 Total			**84,504**	**0**	
20.237	Motor Carrier Safety Assistance High Priority Acti		2250	117,481	0	
	Federal Program 20.237 Total			**117,481**	**0**	
20.240	Fuel Tax Evasion-Intergovernmental Enforcement Eff		2400	46,558	0	
	Federal Program 20.240 Total			**46,558**	**0**	
20.314	Railroad Development		4050	272	0	
	Federal Program 20.314 Total			**272**	**0**	
20.319	High-Speed Rail Corridors and Intercity Passenger		4050	24,050,546	0	
	Federal Program 20.319 Total			**24,050,546**	**0**	
20.505	Metropolitan Transportation Planning and State and		4050	1,137,158	139,562	
	Federal Program 20.505 Total			**1,137,158**	**139,562**	
20.509	Formula Grants for Rural Areas		4050	12,532,177	9,455,965	
	Federal Program 20.509 Total			**12,532,177**	**9,455,965**	
20.528	Rail Fixed Guideway Public Transportation System S		4050	401,579	0	
	Federal Program 20.528 Total			**401,579**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2018
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Federal Programs Not Clustered

Dept of Transportation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
20.608	Minimum Penalties for Repeat Offenders for Driving		2280	722,612	722,612	
	Federal Program 20.608 Total			**722,612**	**722,612**	
20.700	Pipeline Safety Program Base Grants		2150	1,612,689	0	
	Federal Program 20.700 Total			**1,612,689**	**0**	
20.701	University Transportation Centers Program		3600	3,137,295	1,790,336	
20.701		17175AM02PTE69A355174	3600	41,618	0	PT
20.701		F8741-03	3600	72,793	0	PT
20.701		F8741-03 AM 01	3600	108,775	0	PT
20.701		UAF18005469A3551747129	3600	153,128	0	PT
20.701		2016068804WSU	3650	121,746	0	PT
20.701		AUF140103	3650	21,024	13,923	PT
20.701		UAF140103	3650	285,712	0	PT
20.701		G227-17-W6460 Amend 1	3700	132,522	1,796	PT
	Federal Program 20.701 Total			**4,074,613**	**1,806,055**	
20.703	Interagency Hazardous Materials Public Sector Trai		2450	267,988	197,822	
	Federal Program 20.703 Total			**267,988**	**197,822**	
20.933	National Infrastructure Investments		4050	4,090,976	0	
	Federal Program 20.933 Total			**4,090,976**	**0**	
20.U01	DOT - Unknown CFDA Number	DTNH22-17-H00153	2280	249,805	0	
	Federal Program 20.U01 Total			**249,805**	**0**	
20.U02	DOT - Unknown CFDA Number	45138519276	3650	305,868	0	PT
	Federal Program 20.U02 Total			**305,868**	**0**	
20.U03	DOT - Unknown CFDA Number	HR1305	3650	106,060	0	PT
	Federal Program 20.U03 Total			**106,060**	**0**	
Dept of Transportation Total				**57,831,375**	**12,383,437**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
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(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of the Treasury

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
21.008	Low Income Taxpayer Clinics		3600	99,776	0	
	Federal Program 21.008 Total			**99,776**	**0**	
21.U02	Department of Treasury - Undetermined	PL113-76X1350	1480	11,580	11,580	PT
21.U02		PL114-113X1350	1480	28,107	28,107	PT
	Federal Program 21.U02 Total			**39,687**	**39,687**	
21.U03	Department of Treasury - Undetermined	seizures	1170	31,201	0	
	Federal Program 21.U03 Total			**31,201**	**0**	
Dept of the Treasury Total				**170,664**	**39,687**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
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Federal Programs Not Clustered

General Services Administration

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
39.003	Donation of Federal Surplus Personal Property		0500	237	0	NC
39.003			0820	6,359	0	NC
39.003			0990	517	0	NC
39.003			1000	101	0	NC
39.003			1020	2,269	0	NC
39.003			1200	1,199	0	NC
39.003			1420	764	0	NC
39.003			1470	427	0	NC
39.003			1790	52,300	0	NC
39.003			2250	1,595	0	NC
39.003			2400	427	0	NC
39.003			2450	1,991	0	NC
39.003			3000	12,588	0	NC
39.003			3050	100	0	NC
39.003			3100	11,533	0	NC
39.003			3500	45	0	NC
39.003			3650	67	0	NC
39.003			3760	281	0	NC
39.003			4050	7,992	0	NC
39.003			4610	21,431	0	NC
39.003			4620	169	0	NC
39.003			4650	3,573	0	NC
39.003			4770	13,305	0	NC
39.003			4900	10,803	0	NC
39.003			6990	8,399	0	NC
	Federal Program 39.003 Total			**158,472**	**0**	
General Services Administration Total				**158,472**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Federal Programs Not Clustered

National Aeronautics & Space Admin

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
43.001	Science		3600	15,586,681	2,285,539	
43.001		1 (GG008879) AM05	3600	(569)	0	PT
43.001		102546 AM01	3600	65,306	0	PT
43.001		130785-5060310 AM07	3600	28,778	0	PT
43.001		1552357 PO# 1000454039	3600	1,911	0	PT
43.001		1552357MOD03PO1000454	3600	55,538	0	PT
43.001		1570105	3600	50,000	0	PT
43.001		1570694 MOD01	3600	31,929	0	PT
43.001		1572151	3600	28,565	0	PT
43.001		1575878 MOD03	3600	22,206	0	PT
43.001		1585857	3600	25,886	0	PT
43.001		1GG013115PTENNX17AH0	3600	12,969	0	PT
43.001		2017-3519	3600	3,887	0	PT
43.001		2NO48-7531 AM04	3600	76,480	0	PT
43.001		3004919118	3600	3,962	0	PT
43.001		366620 MOD01	3600	20,838	0	PT
43.001		408899 AM01	3600	71,989	0	PT
43.001		510 AM17	3600	4,178	0	PT
43.001		A00-0983-S001	3600	8,361	0	PT
43.001		A101125	3600	(27)	0	PT
43.001		A101240 AM05	3600	33,028	0	PT
43.001		A101250 AM02	3600	30,694	0	PT
43.001		A101283 AM02	3600	27,429	0	PT
43.001		A15-0060-S001	3600	25,200	0	PT
43.001		AR8-19006X	3600	37,899	0	PT
43.001		C17N12702CON80000156A	3600	58,165	0	PT
43.001		G05-16085X AM01	3600	24,414	0	PT
43.001		GO4-15088X AM02	3600	(4,920)	0	PT
43.001		GO7-18101A	3600	24,124	0	PT
43.001		HST-AR-14283.001-A	3600	40,961	0	PT
43.001		HST-AR-14325.001-A	3600	2,151	0	PT
43.001		HST-AR-14560.003-A	3600	4,099	0	PT
43.001		HST-AR-14563.002-A	3600	5,695	0	PT
43.001		HST-AR-14575.001-A	3600	26,266	0	PT
43.001		HST-AR-15020.007-A	3600	4,789	0	PT
43.001		HST-AR-15046.001-A	3600	48,912	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Federal Programs Not Clustered

National Aeronautics & Space Admin

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
43.001	Science	HST-GO-13461.001-A	3600	2	0	PT
43.001		HST-GO-13807.001-A	3600	12,179	0	PT
43.001		HST-GO-14102.004-A	3600	68	0	PT
43.001		HST-GO-14140.006-A	3600	108	0	PT
43.001		HST-GO-14173.004-A	3600	1,560	0	PT
43.001		HST-GO-14610-001-A	3600	47,759	0	PT
43.001		HST-GO-14675.009-A	3600	21,448	0	PT
43.001		HST-GO-14779.001-A	3600	45,656	0	PT
43.001		HST-GO-14784.003-A	3600	6,031	0	PT
43.001		HST-GO-14786.001-A	3600	3,161	0	PT
43.001		HST-GO-14912.002-A	3600	398	0	PT
43.001		HST-GO-15275.009-A	3600	2,785	0	PT
43.001		HSTAR13882001AAM01	3600	11,920	0	PT
43.001		HSTAR13901005AAM02	3600	19,328	0	PT
43.001		HSTAR14281002AAM02	3600	16,937	0	PT
43.001		HSTAR14288001AAM02	3600	1,206	0	PT
43.001		HSTAR14307002AAM01	3600	1,095	0	PT
43.001		HSTAR15013004AAM01	3600	26,232	0	PT
43.001		HSTGO13515002AAM02	3600	8,601	0	PT
43.001		HSTGO13659002AAM01	3600	23,091	0	PT
43.001		HSTGO13709001AAM02	3600	(322)	0	PT
43.001		HSTGO13710002AAM02	3600	4,424	0	PT
43.001		HSTGO13768009AAM03	3600	11,920	0	PT
43.001		HSTGO13857001AAM01	3600	17,636	0	PT
43.001		HSTGO15314003AAM03	3600	67,873	0	PT
43.001		MA1314	3600	395	0	PT
43.001		MA1314 AM01	3600	3,493	0	PT
43.001		MA140040/MA1035 AM05	3600	166,773	0	PT
43.001		NWRA-17-S-191 MOD01	3600	5,058	0	PT
43.001		R160069PTENNX16AN35G	3600	60,993	0	PT
43.001		RE906-G1 AM02	3600	7,869	0	PT
43.001		RSA # 1589798 MOD01	3600	33,870	0	PT
43.001		RSA NO. 1578895 MOD01	3600	194,881	0	PT
43.001		SUBAWD000410	3600	109,115	0	PT
43.001		UFDSP00011385 AM01	3600	8,131	0	PT
43.001		UMS-965 AM04	3600	3,232	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

National Aeronautics & Space Admin

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
43.001	Science	Z15-20864 MOD03	3600	19,809	0	PT
43.001			3650	84,278	0	
43.001		128802	3650	13,435	0	PT
43.001		627619776	3650	16,044	0	PT
43.001		HSTG014141001A	3650	16,296	0	PT
43.001			3750	218,773	3,277	
43.001		bmssa-002	3760	18,600	0	PT
43.001			3800	15,132	0	
43.001		15-710	3800	20,398	0	PT
43.001		1546127	3800	29,686	0	PT
43.001		NNX15AJ98HS000003	6990	16,507	0	PT
	Federal Program 43.001 Total			**17,901,638**	**2,288,816**	
43.002	Aeronautics	NCC9-58-50	3600	(560)	0	PT
	Federal Program 43.002 Total			**(560)**	**0**	
43.007	Space Operations		3600	116,410	0	
43.007			3650	460,428	324,580	
43.007		320000109817193	3650	105,399	0	PT
	Federal Program 43.007 Total			**682,237**	**324,580**	
43.008	Education		3600	894,070	214,060	
	Federal Program 43.008 Total			**894,070**	**214,060**	
43.012	Space Technology		3600	187,759	0	
43.012			3650	95,598	0	
	Federal Program 43.012 Total			**283,357**	**0**	
43.U01	NASA - Unknown CFDA Number	1523347	3650	4,144	0	PT
	Federal Program 43.U01 Total			**4,144**	**0**	
43.U02	NASA - Unknown CFDA Number	1548988	3650	108,822	0	PT
	Federal Program 43.U02 Total			**108,822**	**0**	
43.U03	NASA - Unknown CFDA Number	1592973	3650	64,576	0	PT
	Federal Program 43.U03 Total			**64,576**	**0**	
43.U04	NASA - Unknown CFDA Number	20019G02001335TA24	3650	3,709	0	PT
	Federal Program 43.U04 Total			**3,709**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Federal Programs Not Clustered

National Aeronautics & Space Admin

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
43.U05	NASA - Unknown CFDA Number	HST-AR-13880.004-A	3700	33,212	0	PT
	Federal Program 43.U05 Total			**33,212**	**0**	
National Aeronautics & Space Admin Total				**19,975,205**	**2,827,456**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Federal Programs Not Clustered

National Foundation on the Arts and the Humanities

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
45.024	Promotion of the Arts Grants to Organizations and		3500	25,000	0	
45.024			3600	70,100	0	
45.024			3760	50,107	0	
45.024			4650	21,604	0	
	Federal Program 45.024 Total			**166,811**	**0**	
45.025	Promotion of the Arts Partnership Agreements	TW20130182	3650	1	0	PT
45.025		TW20130217	3650	1	0	PT
45.025		TW201400173	3650	1	0	PT
45.025		TW201400236	3650	101	0	PT
45.025		TW201500073	3650	6	0	PT
45.025		TW201600175	3650	5	0	PT
45.025		TW20170227	3650	2,250	0	PT
45.025			3870	810,202	0	
	Federal Program 45.025 Total			**812,567**	**0**	
45.129	Promotion of the Humanities Federal/State Partners	4873GWSF17	3650	3,084	0	PT
	Federal Program 45.129 Total			**3,084**	**0**	
45.149	Promotion of the Humanities Division of Preservati		3750	8,459	0	
	Federal Program 45.149 Total			**8,459**	**0**	
45.160	Promotion of the Humanities Fellowships and Stipen		3600	20,953	0	
45.160			3650	50,044	0	
45.160			6990	23,337	0	
	Federal Program 45.160 Total			**94,334**	**0**	
45.163	Promotion of the Humanities Professional Developme		3600	74,604	0	
45.163			3700	151,505	0	
	Federal Program 45.163 Total			**226,109**	**0**	
45.310	Grants to States		0850	2,987,654	250,430	
	Federal Program 45.310 Total			**2,987,654**	**250,430**	
45.312	National Leadership Grants		3600	141,221	34,793	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

National Foundation on the Arts and the Humanities

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
45.312	National Leadership Grants	MG-10-14-0006-14	3600	29,089	0	PT
45.312			3650	237,390	121,330	
	Federal Program 45.312 Total			**407,700**	**156,123**	
45.313	Laura Bush 21ST Century Librarian Program		3600	207,791	66,533	
45.313		29375-04698-S01	3600	2,001	0	PT
45.313		USF.IMLS-20152008	3600	5,446	0	PT
45.313			3650	215,518	0	
	Federal Program 45.313 Total			**430,756**	**66,533**	
	National Foundation on the Arts and the Humanities Total			**5,137,474**	**473,086**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

National Science Foundation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.083	Office of Integrative Activities	PO 10561844 #88624292	3800	21,264	0	PT
	Federal Program 47.083 Total			**21,264**	**0**	
47.U01	NSF - Unknown CFDA Number	1547873	3650	9,691	0	
	Federal Program 47.U01 Total			**9,691**	**0**	
47.U02	NSF - Unknown CFDA Number	1701061	3650	41,518	0	
	Federal Program 47.U02 Total			**41,518**	**0**	
47.U03	NSF - Unknown CFDA Number	1123272-390398	3650	11,357	0	PT
	Federal Program 47.U03 Total			**11,357**	**0**	
47.U04	NSF - Unknown CFDA Number	1648922	3650	47,522	0	PT
	Federal Program 47.U04 Total			**47,522**	**0**	
47.U05	NSF - Unknown CFDA Number	415909G	3650	29,222	0	PT
	Federal Program 47.U05 Total			**29,222**	**0**	
National Science Foundation Total				**160,574**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Small Business Administration

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
59.037	Small Business Development Centers		3650	2,284,700	403,453	
	Federal Program 59.037 Total			**2,284,700**	**403,453**	
59.061	State Trade Expansion		1030	1,038,118	437,955	
	Federal Program 59.061 Total			**1,038,118**	**437,955**	
Small Business Administration Total				**3,322,818**	**841,408**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Department of Veterans Affairs

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
64.012	Veterans Prescription Service		3050	234,253	0	
	Federal Program 64.012 Total			**234,253**	**0**	
64.015	Veterans State Nursing Home Care		3050	37,815,912	0	
	Federal Program 64.015 Total			**37,815,912**	**0**	
64.024	VA Homeless Providers Grant and Per Diem Program		3050	776,687	0	
	Federal Program 64.024 Total			**776,687**	**0**	
64.027	ARRA - Post-9/11 Veterans Educational Assistance		6990	117,288	0	
	Federal Program 64.027 Total			**117,288**	**0**	
64.035	Veterans Transportation Program/Grants for Transp		3050	23,872	0	
	Federal Program 64.035 Total			**23,872**	**0**	
64.101	Burial Expenses Allowance for Veterans		3050	368,983	0	
	Federal Program 64.101 Total			**368,983**	**0**	
64.110	Veterans Dependency and Indemnity Compensation for		6990	2,121	0	
	Federal Program 64.110 Total			**2,121**	**0**	
64.115	Veterans Information and Assistance		3050	7,802	0	
	Federal Program 64.115 Total			**7,802**	**0**	
64.116	Vocational Rehabilitation for Disabled Veterans		6990	1,134	0	
	Federal Program 64.116 Total			**1,134**	**0**	
64.117	Survivors and Dependents Educational Assistance		6990	20,868	0	
	Federal Program 64.117 Total			**20,868**	**0**	
64.124	All-Volunteer Force Educational Assistance		3400	280,226	0	
64.124			3540	278,207	0	
64.124			6990	2,088	0	
	Federal Program 64.124 Total			**560,521**	**0**	
64.U01	VA - Unknown CFDA Number	201733	3650	10,129	0	
	Federal Program 64.U01 Total			**10,129**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Department of Veterans Affairs

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
64.U02	VA - Unknown CFDA Number	Seattle	6990	2,020,760	0	
64.U02		Spokane	6990	1,717,573	0	
	Federal Program 64.U02 Total			**3,738,333**	**0**	
	Department of Veterans Affairs Total			**43,677,903**	**0**	

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Federal Programs Not Clustered

Environmental Protection Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
66.032	State Indoor Radon Grants		3030	65,442	0	
	Federal Program 66.032 Total			**65,442**	**0**	
66.040	State Clean Diesel Grant Program		4610	182,894	148,318	
	Federal Program 66.040 Total			**182,894**	**148,318**	
66.123	Puget Sound Action Agenda: Technical Investigation		3030	3,430,563	1,780,311	
66.123			3600	168,359	0	
66.123			4050	4,084	0	
66.123			4610	5,955,456	2,695,683	
66.123			4770	3,516,740	0	
66.123			4780	2,023,560	1,165,968	
	Federal Program 66.123 Total			**15,098,762**	**5,641,962**	
66.203	Environmental Finance Center Grants	EPA EFC/E165 Task #1,2	3700	33,540	0	PT
	Federal Program 66.203 Total			**33,540**	**0**	
66.204	Multipurpose Grants to States and Tribes		4610	81,003	0	
	Federal Program 66.204 Total			**81,003**	**0**	
66.419	Water Pollution Control State, Interstate, and Tri		3030	228,492	0	
66.419			4610	264,468	0	
	Federal Program 66.419 Total			**492,960**	**0**	
66.432	State Public Water System Supervision		3030	2,875,069	0	
	Federal Program 66.432 Total			**2,875,069**	**0**	
66.454	Water Quality Management Planning		4610	207,500	0	
	Federal Program 66.454 Total			**207,500**	**0**	
66.456	National Estuary Program		4780	1,755,955	894,143	
	Federal Program 66.456 Total			**1,755,955**	**894,143**	
66.460	Nonpoint Source Implementation Grants		4610	2,957,730	1,634,031	
	Federal Program 66.460 Total			**2,957,730**	**1,634,031**	
66.461	Regional Wetland Program Development Grants		4610	109,681	0	
66.461			4900	39,954	10,066	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Environmental Protection Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 66.461 Total			**149,635**	**10,066**	
66.469	Great Lakes Program	F-2017-132 AMO2	3600	117,409	0	PT
66.469		F-2017-133 AM01	3600	47,364	0	PT
	Federal Program 66.469 Total			**164,773**	**0**	
66.472	Beach Monitoring and Notification Program Implemen		4610	274,467	0	
	Federal Program 66.472 Total			**274,467**	**0**	
66.516	P3 Award: National Student Design Competition for		3600	12,740	0	
66.516			3650	866	0	
66.516			3800	37,410	0	
	Federal Program 66.516 Total			**51,016**	**0**	
66.605	Performance Partnership Grants		4610	8,739,461	1,808,700	
	Federal Program 66.605 Total			**8,739,461**	**1,808,700**	
66.608	Environmental Information Exchange Network Grant P		3030	99,219	3,180	
66.608			4610	57,037	0	
66.608			4670	191,786	113,847	
	Federal Program 66.608 Total			**348,042**	**117,027**	
66.700	Consolidated Pesticide Enforcement Cooperative Agr	OGRD126461	3650	(17)	0	PT
66.700			4950	583,028	0	
	Federal Program 66.700 Total			**583,011**	**0**	
66.707	TSCA Title IV State Lead Grants Certification of L		1030	371,752	0	
	Federal Program 66.707 Total			**371,752**	**0**	
66.708	Pollution Prevention Grants Program		4610	155,679	74,473	
	Federal Program 66.708 Total			**155,679**	**74,473**	
66.716	Research, Development, Monitoring, Public Education		3650	503,472	0	
66.716		SA201723	3650	24,471	0	PT
	Federal Program 66.716 Total			**527,943**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Environmental Protection Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
66.801	Hazardous Waste Management State Program Support		4610	2,030,938	0	
	Federal Program 66.801 Total			**2,030,938**	**0**	
66.802	Superfund State, Political Subdivision, and Indian		4610	521,234	0	
	Federal Program 66.802 Total			**521,234**	**0**	
66.804	Underground Storage Tank Prevention, Detection and		4610	441,999	0	
	Federal Program 66.804 Total			**441,999**	**0**	
66.805	Leaking Underground Storage Tank Trust Fund Correc		4610	745,999	0	
	Federal Program 66.805 Total			**745,999**	**0**	
66.809	Superfund State and Indian Tribe CORE Program Coop		4610	89,053	0	
	Federal Program 66.809 Total			**89,053**	**0**	
66.817	State and Tribal Response Program Grants		4610	1,024,402	0	
	Federal Program 66.817 Total			**1,024,402**	**0**	
66.818	Brownfields Assessment and Cleanup Cooperative Agr		1030	(10,619)	(10,619)	
	Federal Program 66.818 Total			**(10,619)**	**(10,619)**	
66.951	Environmental Education Grants		3600	15,909	4,978	
66.951			6990	33,849	0	
	Federal Program 66.951 Total			**49,758**	**4,978**	
66.U01	Environmental Protection Agency - Unknown CFDA Num	132958001	3650	35,018	0	PT
	Federal Program 66.U01 Total			**35,018**	**0**	
Environmental Protection Agency Total				**40,044,416**	**10,323,079**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.041	State Energy Program		1030	841,623	20,474	
	Federal Program 81.041 Total			**841,623**	**20,474**	
81.042	Weatherization Assist - Low Inc		1030	3,989,230	3,461,115	
	Federal Program 81.042 Total			**3,989,230**	**3,461,115**	
81.106	Transport of Transuranic Wastes to the Waste Isola	K13042-TWX5	2250	95,243	23,451	PT
	Federal Program 81.106 Total			**95,243**	**23,451**	
81.112	Stewardship Science Grant Program		3650	6,292,092	1,083,596	
81.112		203186WSU	3650	62,339	0	PT
81.112		41046923	3650	52,844	0	PT
	Federal Program 81.112 Total			**6,407,275**	**1,083,596**	
81.117	Energy Efficiency and Renewable Energy Information		1030	736,514	490,766	
81.117			3650	100,262	49,993	
	Federal Program 81.117 Total			**836,776**	**540,759**	
81.119	State Energy Program Special Projects		1030	54,406	42,102	
	Federal Program 81.119 Total			**54,406**	**42,102**	
81.121	Nuclear Energy Research, Development and Demonstra		3650	1,070,738	429,400	
81.121		0018	3650	281,972	0	PT
81.121		142120464294802	3650	52,921	0	PT
81.121		4009205801	3650	24,748	0	PT
81.121		4012014	3650	9,033	0	PT
81.121		5464	3650	26,947	0	PT
	Federal Program 81.121 Total			**1,466,359**	**429,400**	
81.122	Electricity Delivery & Energy Research		3650	267,338	25,000	
81.122		20150660502	3650	365,709	0	PT
81.122		4012016A	3650	215,875	0	PT
81.122		DEOE0000725	3650	16,410	0	PT
81.122		S000872	3650	72,210	0	PT
81.122		WSU003625	3650	179,925	0	PT
	Federal Program 81.122 Total			**1,117,467**	**25,000**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.124	Predictive Science Academic Alliance Program	202199UW AM03	3600	252,525	0	PT
	Federal Program 81.124 Total			**252,525**	**0**	
81.214	Environmental Monitoring/Cleanup Cultural Rsrc Mgt		3030	602,052	0	
	Federal Program 81.214 Total			**602,052**	**0**	
81.U01	Energy - Unknown CFDA Number	00050029	3650	(4,442)	0	
	Federal Program 81.U01 Total			**(4,442)**	**0**	
81.U02	Energy - Unknown CFDA Number	00059555	3650	(22)	0	
	Federal Program 81.U02 Total			**(22)**	**0**	
81.U03	Energy - Unknown CFDA Number	00059987	3650	(141)	0	
	Federal Program 81.U03 Total			**(141)**	**0**	
81.U04	Energy - Unknown CFDA Number	00067174	3650	(22)	0	
	Federal Program 81.U04 Total			**(22)**	**0**	
81.U05	Energy - Unknown CFDA Number	00070587	3650	31,042	25,224	
	Federal Program 81.U05 Total			**31,042**	**25,224**	
81.U06	Energy - Unknown CFDA Number	71419	3650	609,556	100,385	
	Federal Program 81.U06 Total			**609,556**	**100,385**	
81.U07	Energy - Unknown CFDA Number	00072993	3650	(15)	0	
	Federal Program 81.U07 Total			**(15)**	**0**	
81.U08	Energy - Unknown CFDA Number	73909	3650	107,277	71,631	
	Federal Program 81.U08 Total			**107,277**	**71,631**	
81.U09	Energy - Unknown CFDA Number	74128	3650	217,847	98,043	
	Federal Program 81.U09 Total			**217,847**	**98,043**	
81.U10	Energy - Unknown CFDA Number	74471	3650	7,357	0	
	Federal Program 81.U10 Total			**7,357**	**0**	
81.U11	Energy - Unknown CFDA Number	76389	3650	9,950	0	
	Federal Program 81.U11 Total			**9,950**	**0**	
81.U12	Energy - Unknown CFDA Number	DEAF6510WA45295	3650	72	0	
	Federal Program 81.U12 Total			**72**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.U13	Energy - Unknown CFDA Number	FE0026170	3650	(5,506)	(5,506)	
	Federal Program 81.U13 Total			**(5,506)**	**(5,506)**	
81.U14	Energy - Unknown CFDA Number	SC0017923	3650	123,147	0	
	Federal Program 81.U14 Total			**123,147**	**0**	
81.U15	Energy - Unknown CFDA Number	AC52-07NA27344 SUB	3700	12,455	0	PT
	Federal Program 81.U15 Total			**12,455**	**0**	
81.U16	Energy - Unknown CFDA Number	BPA #200800700	3700	149,814	0	PT
	Federal Program 81.U16 Total			**149,814**	**0**	
81.U17	Energy - Unknown CFDA Number	BPA 1994-043-00	3700	12,401	0	PT
	Federal Program 81.U17 Total			**12,401**	**0**	
81.U18	Energy - Unknown CFDA Number	BPA78941 PR#199502700	3700	7,164	0	PT
	Federal Program 81.U18 Total			**7,164**	**0**	
81.U19	Energy - Unknown CFDA Number	C00075980	3700	24,372	0	PT
	Federal Program 81.U19 Total			**24,372**	**0**	
81.U20	Energy - Unknown CFDA Number	DE-AC52-07NA27344	3700	7,977	0	PT
	Federal Program 81.U20 Total			**7,977**	**0**	
81.U21	Energy - Unknown CFDA Number	324076	3800	52,552	0	PT
	Federal Program 81.U21 Total			**52,552**	**0**	
81.U22	Energy - Unknown CFDA Number	77346 BPA WX FFY17	1030	2,530,589	2,100,180	
	Federal Program 81.U22 Total			**2,530,589**	**2,100,180**	
81.U23	Energy - Unknown CFDA Number	0201.17.153089	4610	47,937	0	PT
	Federal Program 81.U23 Total			**47,937**	**0**	
81.U24	Energy - Unknown CFDA Number	0201.18.058065	4610	31,153	0	PT
	Federal Program 81.U24 Total			**31,153**	**0**	
81.U25	Energy - Unknown CFDA Number	XCE66237901	3650	805	0	PT
	Federal Program 81.U25 Total			**805**	**0**	
81.U26	Energy - Unknown CFDA Number	118074	3650	250,391	0	PT
	Federal Program 81.U26 Total			**250,391**	**0**	
81.U27	Energy - Unknown CFDA Number	1316643	3650	38,777	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 81.U27 Total			**38,777**	**0**	
81.U28	Energy - Unknown CFDA Number	178016	3650	114,674	0	PT
	Federal Program 81.U28 Total			**114,674**	**0**	
81.U29	Energy - Unknown CFDA Number	183740	3650	1,212	0	PT
	Federal Program 81.U29 Total			**1,212**	**0**	
81.U30	Energy - Unknown CFDA Number	196561	3650	24,517	0	PT
	Federal Program 81.U30 Total			**24,517**	**0**	
81.U31	Energy - Unknown CFDA Number	20150657902	3650	27,731	0	PT
	Federal Program 81.U31 Total			**27,731**	**0**	
81.U32	Energy - Unknown CFDA Number	WSU002879	3650	401	0	PT
	Federal Program 81.U32 Total			**401**	**0**	
81.U33	Energy - Unknown CFDA Number	244687	3650	14,262	0	PT
	Federal Program 81.U33 Total			**14,262**	**0**	
81.U34	Energy - Unknown CFDA Number	244777	3650	28,162	0	PT
	Federal Program 81.U34 Total			**28,162**	**0**	
81.U35	Energy - Unknown CFDA Number	246500	3650	1,779	0	PT
	Federal Program 81.U35 Total			**1,779**	**0**	
81.U36	Energy - Unknown CFDA Number	258801	3650	102,580	0	PT
	Federal Program 81.U36 Total			**102,580**	**0**	
81.U37	Energy - Unknown CFDA Number	272745	3650	45,866	0	PT
	Federal Program 81.U37 Total			**45,866**	**0**	
81.U38	Energy - Unknown CFDA Number	XGJ66218401	3650	88,653	0	PT
	Federal Program 81.U38 Total			**88,653**	**0**	
81.U39	Energy - Unknown CFDA Number	279434	3650	32,261	0	PT
	Federal Program 81.U39 Total			**32,261**	**0**	
81.U40	Energy - Unknown CFDA Number	280452	3650	2,622	0	PT
	Federal Program 81.U40 Total			**2,622**	**0**	
81.U41	Energy - Unknown CFDA Number	288470	3650	86,759	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Schedule of Expenditures of Federal Awards

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Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 81.U41 Total			**86,759**	**0**	
81.U42	Energy - Unknown CFDA Number	XFC87033101	3650	33,285	0	PT
	Federal Program 81.U42 Total			**33,285**	**0**	
81.U43	Energy - Unknown CFDA Number	293252	3650	63,071	0	PT
	Federal Program 81.U43 Total			**63,071**	**0**	
81.U44	Energy - Unknown CFDA Number	C17218	3650	108,033	0	PT
	Federal Program 81.U44 Total			**108,033**	**0**	
81.U45	Energy - Unknown CFDA Number	300767	3650	52	0	PT
	Federal Program 81.U45 Total			**52**	**0**	
81.U46	Energy - Unknown CFDA Number	301164	3650	33,744	0	PT
	Federal Program 81.U46 Total			**33,744**	**0**	
81.U47	Energy - Unknown CFDA Number	B626049	3650	101,213	0	PT
	Federal Program 81.U47 Total			**101,213**	**0**	
81.U48	Energy - Unknown CFDA Number	313798	3650	12,233	0	PT
	Federal Program 81.U48 Total			**12,233**	**0**	
81.U49	Energy - Unknown CFDA Number	316309	3650	253,375	0	PT
	Federal Program 81.U49 Total			**253,375**	**0**	
81.U50	Energy - Unknown CFDA Number	320048	3650	55,718	0	PT
	Federal Program 81.U50 Total			**55,718**	**0**	
81.U51	Energy - Unknown CFDA Number	320972	3650	233,059	0	PT
	Federal Program 81.U51 Total			**233,059**	**0**	
81.U52	Energy - Unknown CFDA Number	321180	3650	797,329	0	PT
	Federal Program 81.U52 Total			**797,329**	**0**	
81.U53	Energy - Unknown CFDA Number	321652	3650	4,857	0	PT
	Federal Program 81.U53 Total			**4,857**	**0**	
81.U54	Energy - Unknown CFDA Number	324880	3650	16,993	0	PT
	Federal Program 81.U54 Total			**16,993**	**0**	
81.U55	Energy - Unknown CFDA Number	336992	3650	12,911	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 81.U55 Total			**12,911**	**0**	
81.U56	Energy - Unknown CFDA Number	339057	3650	411	0	PT
	Federal Program 81.U56 Total			**411**	**0**	
81.U57	Energy - Unknown CFDA Number	347554	3650	24,074	0	PT
	Federal Program 81.U57 Total			**24,074**	**0**	
81.U58	Energy - Unknown CFDA Number	349230	3650	249	0	PT
	Federal Program 81.U58 Total			**249**	**0**	
81.U59	Energy - Unknown CFDA Number	354143	3650	58,023	0	PT
	Federal Program 81.U59 Total			**58,023**	**0**	
81.U60	Energy - Unknown CFDA Number	354289	3650	15,686	0	PT
	Federal Program 81.U60 Total			**15,686**	**0**	
81.U61	Energy - Unknown CFDA Number	355851	3650	41,751	0	PT
	Federal Program 81.U61 Total			**41,751**	**0**	
81.U62	Energy - Unknown CFDA Number	357146	3650	95,337	0	PT
	Federal Program 81.U62 Total			**95,337**	**0**	
81.U63	Energy - Unknown CFDA Number	366295	3650	2,177	0	PT
	Federal Program 81.U63 Total			**2,177**	**0**	
81.U64	Energy - Unknown CFDA Number	370358	3650	34,299	0	PT
	Federal Program 81.U64 Total			**34,299**	**0**	
81.U65	Energy - Unknown CFDA Number	370517	3650	14,397	0	PT
	Federal Program 81.U65 Total			**14,397**	**0**	
81.U66	Energy - Unknown CFDA Number	377072	3650	23,709	0	PT
	Federal Program 81.U66 Total			**23,709**	**0**	
81.U67	Energy - Unknown CFDA Number	381667	3650	20,726	0	PT
	Federal Program 81.U67 Total			**20,726**	**0**	
81.U68	Energy - Unknown CFDA Number	382742	3650	47,113	0	PT
	Federal Program 81.U68 Total			**47,113**	**0**	
81.U69	Energy - Unknown CFDA Number	386586	3650	17,703	0	PT

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Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 81.U69 Total			**17,703**	**0**	
81.U70	Energy - Unknown CFDA Number	388260	3650	22,471	0	PT
	Federal Program 81.U70 Total			**22,471**	**0**	
81.U71	Energy - Unknown CFDA Number	391108	3650	39,877	0	PT
	Federal Program 81.U71 Total			**39,877**	**0**	
81.U72	Energy - Unknown CFDA Number	392542	3650	31,338	0	PT
	Federal Program 81.U72 Total			**31,338**	**0**	
81.U73	Energy - Unknown CFDA Number	395677	3650	13,539	0	PT
	Federal Program 81.U73 Total			**13,539**	**0**	
81.U74	Energy - Unknown CFDA Number	397186	3650	9,603	0	PT
	Federal Program 81.U74 Total			**9,603**	**0**	
81.U75	Energy - Unknown CFDA Number	398507	3650	19,109	0	PT
	Federal Program 81.U75 Total			**19,109**	**0**	
81.U76	Energy - Unknown CFDA Number	4000149261	3650	2,987	0	PT
	Federal Program 81.U76 Total			**2,987**	**0**	
81.U77	Energy - Unknown CFDA Number	4000154736	3650	24,072	0	PT
	Federal Program 81.U77 Total			**24,072**	**0**	
81.U78	Energy - Unknown CFDA Number	4000159936	3650	24,778	0	PT
	Federal Program 81.U78 Total			**24,778**	**0**	
81.U79	Energy - Unknown CFDA Number	404320	3650	5,654	0	PT
	Federal Program 81.U79 Total			**5,654**	**0**	
81.U80	Energy - Unknown CFDA Number	404827	3650	42,116	0	PT
	Federal Program 81.U80 Total			**42,116**	**0**	
81.U81	Energy - Unknown CFDA Number	407930	3650	9,572	0	PT
	Federal Program 81.U81 Total			**9,572**	**0**	
81.U82	Energy - Unknown CFDA Number	51419	3650	19,135	0	PT
	Federal Program 81.U82 Total			**19,135**	**0**	
81.U83	Energy - Unknown CFDA Number	56682	3650	201,666	0	PT

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Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 81.U83 Total			**201,666**	**0**	
81.U84	Energy - Unknown CFDA Number	62916	3650	5,624	0	PT
	Federal Program 81.U84 Total			**5,624**	**0**	
81.U85	Energy - Unknown CFDA Number	62937	3650	171,504	0	PT
	Federal Program 81.U85 Total			**171,504**	**0**	
81.U86	Energy - Unknown CFDA Number	64668	3650	38,974	0	PT
	Federal Program 81.U86 Total			**38,974**	**0**	
81.U87	Energy - Unknown CFDA Number	64878	3650	34,944	0	PT
	Federal Program 81.U87 Total			**34,944**	**0**	
81.U88	Energy - Unknown CFDA Number	64928	3650	90,585	0	PT
	Federal Program 81.U88 Total			**90,585**	**0**	
81.U89	Energy - Unknown CFDA Number	6F32142	3650	145,068	0	PT
	Federal Program 81.U89 Total			**145,068**	**0**	
81.U90	Energy - Unknown CFDA Number	7242865	3650	657	0	PT
	Federal Program 81.U90 Total			**657**	**0**	
81.U91	Energy - Unknown CFDA Number	AEV65205401	3650	30,268	0	PT
	Federal Program 81.U91 Total			**30,268**	**0**	
81.U92	Energy - Unknown CFDA Number	AGJ66217901	3650	25,374	0	PT
	Federal Program 81.U92 Total			**25,374**	**0**	
Dept of Energy Total				**23,627,365**	**8,015,854**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.002	Adult Education - Basic Grants to States		6990	10,748,268	0	
	Federal Program 84.002 Total			**10,748,268**	**0**	
84.010	Title I Grants to Local Educational Agencies		3500	230,936,788	224,387,604	
	Federal Program 84.010 Total			**230,936,788**	**224,387,604**	
84.011	Migrant Education_State Grant Program		3500	17,524,910	11,064,234	
	Federal Program 84.011 Total			**17,524,910**	**11,064,234**	
84.013	Title I State Agency Program for Neglected and DEL		3500	1,937,384	1,921,458	
	Federal Program 84.013 Total			**1,937,384**	**1,921,458**	
84.015	National Resource Centers Program for Foreign Lang		3600	4,341,129	171,989	
	Federal Program 84.015 Total			**4,341,129**	**171,989**	
84.016	Undergraduate International Studies and Foreign La		6990	93,533	0	
	Federal Program 84.016 Total			**93,533**	**0**	
84.031	Higher Education_Institutional Aid	A135368	3600	11,904	0	PT
84.031			6990	8,264,224	0	
84.031		P031S130053-16	6990	338,878	0	PT
	Federal Program 84.031 Total			**8,615,006**	**0**	
84.048	Career and Technical Education -- Basic Grants to		3540	20,398,697	7,994,097	
	Federal Program 84.048 Total			**20,398,697**	**7,994,097**	
84.101	Career and Technical Education - Indian Set-Aside	V101A010017-03A	6990	61,760	0	PT
	Federal Program 84.101 Total			**61,760**	**0**	
84.116	Fund for the Improvement of Postsecondary Education		6990	248,724	0	
	Federal Program 84.116 Total			**248,724**	**0**	
84.126	Rehabilitation Services Vocational Rehabilitation		3000	55,618,549	0	
84.126			3150	9,906,518	0	
84.126		1761-10163	6990	190,473	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 84.126 Total			**65,715,540**	**0**	
84.129	Rehabilitation Long-Term Training		3800	199,761	0	
	Federal Program 84.129 Total			**199,761**	**0**	
84.141	Migrant Education_High School Equivalency Program		3650	346,180	0	
84.141			3750	548,773	0	
84.141			6990	465,441	0	
	Federal Program 84.141 Total			**1,360,394**	**0**	
84.144	Migrant Education_Coordination Program		3500	137,796	0	
	Federal Program 84.144 Total			**137,796**	**0**	
84.149	Migrant Education_College Assistance Migrant Progr		3600	435,148	0	
84.149			3650	346,377	0	
84.149			3700	429,218	0	
84.149			3750	453,969	0	
84.149			6990	745,955	0	
	Federal Program 84.149 Total			**2,410,667**	**0**	
84.177	Rehabilitation Services Independent Living Service		3150	208,190	0	
	Federal Program 84.177 Total			**208,190**	**0**	
84.181	Special Education-Grants for Infants and Families		3570	9,629,646	7,443,955	
	Federal Program 84.181 Total			**9,629,646**	**7,443,955**	
84.184	School Safety National Activities (Formerly, Safe		3500	15,577	0	
	Federal Program 84.184 Total			**15,577**	**0**	
84.187	Supported Employment Services for Individuals With		3000	541,718	0	
84.187			3150	18,422	0	
	Federal Program 84.187 Total			**560,140**	**0**	
84.196	Education for Homeless Children and Youth		3500	1,118,153	847,085	
	Federal Program 84.196 Total			**1,118,153**	**847,085**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.200	Graduate Assistance in Areas of National Need		3650	145,426	0	
	Federal Program 84.200 Total			**145,426**	**0**	
84.206	Javits Gifted and Talented Students Education Gran		3500	392,590	55,522	
	Federal Program 84.206 Total			**392,590**	**55,522**	
84.264	Rehabilitation Training_Continuing Education	B000271345 AM05	3600	136,397	0	PT
84.264		S2015-29486-002 AM2	3600	73,095	0	PT
84.264		SA1707170	3600	8,385	0	PT
	Federal Program 84.264 Total			**217,877**	**0**	
84.282	Charter Schools		3500	339,071	259,654	
	Federal Program 84.282 Total			**339,071**	**259,654**	
84.287	Twenty-First Century Community Learning Centers		3500	17,525,220	16,621,175	
	Federal Program 84.287 Total			**17,525,220**	**16,621,175**	
84.299	Indian Education -- Special Programs for Indian Ch		3650	124,498	0	
	Federal Program 84.299 Total			**124,498**	**0**	
84.315	Capacity Building for Traditionally Underserved PO	NWIC-21060-SA-M01	3800	143,094	0	PT
	Federal Program 84.315 Total			**143,094**	**0**	
84.325	Special Education - Personnel Development to Impro		3600	1,111,135	18,136	
84.325		UFDSP00010173 AM05	3600	19,688	0	PT
84.325			6990	26,608	0	
	Federal Program 84.325 Total			**1,157,431**	**18,136**	
84.326	Special Education_Technical Assistance and Dissemi		3500	220,800	220,800	
	Federal Program 84.326 Total			**220,800**	**220,800**	
84.327	Special Education Educational Technology Media, An		3600	413,993	0	
	Federal Program 84.327 Total			**413,993**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
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Federal Programs Not Clustered

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.330	Advanced Placement Program (Advanced Placement Tes		3500	5,628	5,628	
	Federal Program 84.330 Total			**5,628**	**5,628**	
84.334	Gaining Early Awareness and Readiness for Undergra		3400	3,285,359	2,280,921	
84.334			3600	5,036,536	3,283,145	
84.334			3650	7,274,021	841,665	
84.334			3750	4,273,848	2,690,942	
	Federal Program 84.334 Total			**19,869,764**	**9,096,673**	
84.335	Child Care Access Means Parents in School		3650	74,457	0	
84.335			6990	15,185	0	
	Federal Program 84.335 Total			**89,642**	**0**	
84.358	Rural Education		3500	1,074,714	1,018,830	
	Federal Program 84.358 Total			**1,074,714**	**1,018,830**	
84.365	English Language Acquisition State Grants		3500	17,135,805	16,164,321	
84.365			3600	575,312	30,588	
84.365			3650	490,851	0	
	Federal Program 84.365 Total			**18,201,968**	**16,194,909**	
84.366	Mathematics and Science Partnerships		3500	1,875,953	1,814,275	
84.366		09675 AM03	3600	25,472	0	PT
84.366		10268 AM01	3600	45,429	0	PT
84.366		7500015765	3600	28,739	0	PT
84.366		PO #7500016250	3600	63,444	0	PT
84.366		7007000100	3650	1,103	0	PT
84.366		7008000149	3650	2,551	0	PT
	Federal Program 84.366 Total			**2,042,691**	**1,814,275**	
84.367	Supporting Effective Instruction State Grant (Form		3400	347,368	183,992	
84.367			3500	32,879,920	31,978,578	
84.367		7008000150	3650	13,665	0	PT
84.367		7008000151	3650	2,508	0	PT
84.367		92-WA02-SEED2016	3750	1,526	0	PT
84.367		92-WA02-SEED2017-CRWP	3750	15,104	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 84.367 Total			**33,260,091**	**32,162,570**	
84.369	Grants for State Assessments and Related Activities		3500	6,812,244	0	
	Federal Program 84.369 Total			**6,812,244**	**0**	
84.372	Statewide Longitudinal Data Systems		3500	1,547,988	0	
	Federal Program 84.372 Total			**1,547,988**	**0**	
84.377	School Improvement Grants		3500	6,032,624	5,370,552	
	Federal Program 84.377 Total			**6,032,624**	**5,370,552**	
84.382	Strengthening Minority-Serving Institutions		6990	284,336	0	
	Federal Program 84.382 Total			**284,336**	**0**	
84.397	ARRA - SFSF - Government Services		3800	37,159	0	
	Federal Program 84.397 Total			**37,159**	**0**	
84.407	Transition Programs for Students W/Intellectual DI		6990	545,558	0	
	Federal Program 84.407 Total			**545,558**	**0**	
84.411	Education Innovation and Research (Formerly Invest	92-WA02-2017I3AI	3750	19,083	0	PT
84.411		92-WA02-2018I3WP	3750	4,831	0	PT
	Federal Program 84.411 Total			**23,914**	**0**	
84.412	Race to the Top - Early Learning Challenge	Quality Award	6990	439	0	PT
	Federal Program 84.412 Total			**439**	**0**	
84.424	Student Support and Academic Enrichment Program		3500	2,877,407	2,779,927	
	Federal Program 84.424 Total			**2,877,407**	**2,779,927**	
Dept of Education Total				**489,648,230**	**339,449,073**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
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Federal Programs Not Clustered

Miscellaneous Commissions

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
90.401	Help America Vote Act Requirements Payments		0850	191,748	0	
	Federal Program 90.401 Total			**191,748**	**0**	
Miscellaneous Commissions Total				**191,748**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.041	Special Programs for the Aging_Title VII, Chapter		3000	85,169	57,700	
	Federal Program 93.041 Total			**85,169**	**57,700**	
93.042	Special Programs for the Aging_Title VII, Chapter		3000	316,578	0	
	Federal Program 93.042 Total			**316,578**	**0**	
93.043	Special Programs for the Aging_Title III, Part D_D		3000	378,684	378,684	
	Federal Program 93.043 Total			**378,684**	**378,684**	
93.048	Special Programs for the Aging Title Iv and Title		1600	221,932	0	
93.048			3000	8,359	0	
	Federal Program 93.048 Total			**230,291**	**0**	
93.051	Alzheimer's Disease Demonstration Grants to States		3000	99,174	60,116	
	Federal Program 93.051 Total			**99,174**	**60,116**	
93.052	National Family Caregiver Support, Title III, Part		3000	3,127,157	2,998,834	
	Federal Program 93.052 Total			**3,127,157**	**2,998,834**	
93.059	Training in General, Pediatric, and Public Health		3600	358,125	0	
	Federal Program 93.059 Total			**358,125**	**0**	
93.067	Global AIDS		3600	48,318,746	21,233,993	
93.067		002-05 AM 005	3600	64,679	0	PT
93.067		00205AM045U2GPS002047	3600	11,194	0	PT
93.067		04392PRIMEU2GGH000985	3600	25,145	0	PT
93.067		10524SC	3600	39,946	0	PT
93.067		10524SC AM01	3600	14,703	0	PT
93.067		16-SBA-017 MOD03	3600	291,123	0	PT
93.067		217708-ITECH-001	3600	201,077	0	PT
93.067		217708-ITECH-002	3600	386,728	0	PT
93.067		8818SC AM03	3600	413,524	147,267	PT
93.067		8818SC AM04	3600	55,754	0	PT
93.067		A128204 AM01	3600	166,468	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.067	Global AIDS	CDC-RFA-GH13-1322	3600	70,869	0	PT
93.067		FPPMTCT5NU2GGH00195	3600	6,529	0	PT
93.067		FPPMTCTINU2GGH001956	3600	56,430	4,050	PT
93.067		GH001955-01	3600	21,679	0	PT
93.067		OPTIONBPRIME5NU2GG	3600	181,574	0	PT
93.067		PO# SR0005142	3600	64,870	0	PT
93.067		PRIME	3600	51,056	0	PT
93.067		PRIME	3600	100,499	1,619	PT
93.067		PRIME	3600	73,589	4,424	PT
93.067		PRIME#	3600	80,657	0	PT
93.067		PRIME1U01GH00076201A	3600	14,819	0	PT
	Federal Program 93.067 Total			**50,711,658**	**21,391,353**	
93.069	Public Health Emergency Preparedness		3030	11,565,769	5,428,870	
	Federal Program 93.069 Total			**11,565,769**	**5,428,870**	
93.070	Environmental Public Health and Emergency Response		3030	820,874	0	
	Federal Program 93.070 Total			**820,874**	**0**	
93.071	Medicare Enrollment Assistance Program		3000	379,185	129,136	
	Federal Program 93.071 Total			**379,185**	**129,136**	
93.072	Lifespan Respite Care Program		3000	272,394	39,443	
	Federal Program 93.072 Total			**272,394**	**39,443**	
93.074	Hospital Preparedness Program (HPP) and Public Hea		3030	199,500	0	
	Federal Program 93.074 Total			**199,500**	**0**	
93.079	Cooperative Agreements to Promote Adolescent Health		3500	368,558	76,300	
	Federal Program 93.079 Total			**368,558**	**76,300**	
93.082	Sodium Reduction in Communities	1171 CDIP	3600	41,620	0	PT
93.082		1171 CDIP AM02	3600	57,965	0	PT
	Federal Program 93.082 Total			**99,585**	**0**	
93.084	Prevention of Disease, Disability, and Death By in	T657038 AM03	3600	65,506	0	PT
93.084		T853454 MOD05	3600	135,500	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.084	Prevention of Disease, Disability, and Death By in		3650	360,515	115,395	
	Federal Program 93.084 Total			**561,521**	**115,395**	
93.086	Healthy Marriage Promotion and Responsible Fatherh		3100	1,382,081	0	
93.086			3600	17,980	0	
	Federal Program 93.086 Total			**1,400,061**	**0**	
93.090	Guardianship Assistance		3000	1,123,193	0	
93.090		1V40	6990	33,761	0	PT
	Federal Program 93.090 Total			**1,156,954**	**0**	
93.092	Affordable Care Act Personal Resp. Ed Program		3030	815,127	566,388	
	Federal Program 93.092 Total			**815,127**	**566,388**	
93.093	Affordable Care Act Health Profession Opportunity		6990	3,336,471	0	
	Federal Program 93.093 Total			**3,336,471**	**0**	
93.103	Food and Drug Administration_Research		3030	202,873	0	
	Federal Program 93.103 Total			**202,873**	**0**	
93.107	Area Health Education Centers Point of Service Mai		3600	469,585	334,012	
93.107		G158-16-W5696 AM01	3600	3,225	0	PT
	Federal Program 93.107 Total			**472,810**	**334,012**	
93.110	Maternal and Child Health Federal Consolidated Pro		3030	717,352	291,725	
93.110		3	3030	2,804	0	PT
93.110		4-6	3030	8,093	0	PT
93.110		7	3030	6,062	0	PT
93.110			3600	2,125,429	214,951	
93.110		1920 G RA028 AM03	3600	(715)	0	PT
93.110		1920 G RA028 AM04	3600	14,050	0	PT
93.110		P42435F AM06	3600	(3)	0	PT
	Federal Program 93.110 Total			**2,873,072**	**506,676**	
93.116	Project Grants and Cooperative Agreements for Tube		3030	1,227,464	355,805	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 93.116 Total			**1,227,464**	**355,805**	
93.127	Emergency Medical Services for Children		3030	121,769	14,800	
	Federal Program 93.127 Total			**121,769**	**14,800**	
93.130	Cooperative Agreements to States/Territories for T		3030	208,729	8,000	
	Federal Program 93.130 Total			**208,729**	**8,000**	
93.136	Injury Prevention and Control Research and State A		3030	3,407,696	318,424	
	Federal Program 93.136 Total			**3,407,696**	**318,424**	
93.137	Community Programs to Improve Minority Health Gran		3600	307,906	0	
	Federal Program 93.137 Total			**307,906**	**0**	
93.145	HIV-Related Training and Technical Assistance		3600	2,720,805	1,765,648	
93.145		0218 MOD01	3600	194,492	0	PT
93.145		8276PO418760INDEX81557	3600	3,418	0	PT
	Federal Program 93.145 Total			**2,918,715**	**1,765,648**	
93.150	Projects for Assistance in Transition From Homeless		3000	1,242,270	584,945	
	Federal Program 93.150 Total			**1,242,270**	**584,945**	
93.153	Coordinated Services and Access to Research for Wo	5 H12HA28849-02-00	3600	9,467	0	PT
93.153		PRIME: H12HA28849	3600	56,204	0	PT
	Federal Program 93.153 Total			**65,671**	**0**	
93.161	Health Program for Toxic Substances and Disease Re	U61TS000238-R10-03	3600	66,800	0	PT
93.161		U61TS000238-R10-04	3600	83,654	0	PT
93.161		U61TS000238-R10-04	3600	100,925	1,651	PT
	Federal Program 93.161 Total			**251,379**	**1,651**	
93.165	Grants to States for Loan Repayment Program		3400	516,211	0	
	Federal Program 93.165 Total			**516,211**	**0**	
93.178	Nursing Workforce Diversity		3650	18,195	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.178	Nursing Workforce Diversity		6990	1,041	0	
	Federal Program 93.178 Total			**19,236**	**0**	
93.191	Graduate Psychology Education Program and Patient		3600	328,720	5,692	
	Federal Program 93.191 Total			**328,720**	**5,692**	
93.217	Family Planning_Services		3030	3,845,616	3,053,697	
	Federal Program 93.217 Total			**3,845,616**	**3,053,697**	
93.236	Grants to States to Support Oral Health Workforce	17-07-5-01-069-0 AM02	3600	138,711	0	PT
	Federal Program 93.236 Total			**138,711**	**0**	
93.241	State Rural Hospital Flexibility Program		3030	636,823	41,731	
	Federal Program 93.241 Total			**636,823**	**41,731**	
93.243	Substance Abuse and Mental Health Services_Project		3000	8,160,663	1,811,307	
93.243			3030	1,528,277	861,429	
93.243		8	3030	95,141	94,013	PT
93.243			3500	2,509,185	2,174,338	
93.243			3600	960,467	7,084	
93.243		1002661_UWA	3600	3,084	0	PT
93.243		176076 AM01	3600	70,277	0	PT
93.243		AM02	3600	5,534	0	PT
93.243		UW802269	3600	18,203	0	PT
93.243			3650	384,074	37,844	
93.243		2016A14	3650	36,158	0	PT
	Federal Program 93.243 Total			**13,771,063**	**4,986,015**	
93.247	Advanced Nursing Education Grant Program		3600	1,246,635	0	
93.247			3650	519,583	58,280	
	Federal Program 93.247 Total			**1,766,218**	**58,280**	
93.251	Universal Newborn Hearing Screening		3030	246,438	61,227	
	Federal Program 93.251 Total			**246,438**	**61,227**	
93.266	Health Systems Strengthening and HIV/AIDS Preventi		3600	22,353,579	1,328,477	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.266	Health Systems Strengthening and HIV/AIDS Prevention	HFBZAM16PPTRZLAB00	3600	96,586	0	PT
93.266		HFBZAM16PPTRZLAB00	3600	182,862	0	PT
	Federal Program 93.266 Total			**22,633,027**	**1,328,477**	
93.268	Immunization Cooperative Agreements		3030	3,093,574	1,099,909	
93.268			3030	90,187,429	90,187,429	NC
	Federal Program 93.268 Total			**93,281,003**	**91,287,338**	
93.270	Viral Hepatitis Prevention and Control		3030	272,522	0	
93.270			3600	302,640	0	
93.270		1133 PREV AM02	3600	138,981	0	PT
93.270		PREV3988 AM01	3600	58,094	0	PT
	Federal Program 93.270 Total			**772,237**	**0**	
93.283	Centers for Disease Control and Prevention_Investi		3030	802,422	488,328	
	Federal Program 93.283 Total			**802,422**	**488,328**	
93.297	Teenage Pregnancy Prevention Program	UW664381	3600	58,309	0	PT
	Federal Program 93.297 Total			**58,309**	**0**	
93.300	National Center for Health Workforce Analysis		3600	497,260	0	
	Federal Program 93.300 Total			**497,260**	**0**	
93.301	Small Rural Hospital Improvement Grant Program		3030	415,012	284,842	
	Federal Program 93.301 Total			**415,012**	**284,842**	
93.305	PPHF 2018: Office of Smoking and Health-National S		3030	1,124,318	423,869	
	Federal Program 93.305 Total			**1,124,318**	**423,869**	
93.311	Mobilization for Health: National Prevention Partn		3600	29,122	0	
	Federal Program 93.311 Total			**29,122**	**0**	
93.314	Early Hearing Detection and Intervention Information		3030	230,848	0	
	Federal Program 93.314 Total			**230,848**	**0**	

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.318	Protecting and Improving Health Globally: Building		3600	866,553	0	
93.318			3650	291,453	92,876	
	Federal Program 93.318 Total			**1,158,006**	**92,876**	
93.322	CSELS Partnership: Strengthening Public Health Lab	1-2	3030	43,671	0	PT
	Federal Program 93.322 Total			**43,671**	**0**	
93.323	Epidemiology and Laboratory Capacity for Infection		3030	6,670,914	778,574	
	Federal Program 93.323 Total			**6,670,914**	**778,574**	
93.324	State Health Insurance Assistance Program		1600	703,177	0	
	Federal Program 93.324 Total			**703,177**	**0**	
93.326	Protecting and Improving Health Globally: Strength		3650	4,206,474	1,051,802	
	Federal Program 93.326 Total			**4,206,474**	**1,051,802**	
93.331	Partnerships to Improve Community Health	1089 CDIP AM04	3600	31,449	0	PT
	Federal Program 93.331 Total			**31,449**	**0**	
93.336	Behavioral Risk Factor Surveillance System		3030	230,368	0	
	Federal Program 93.336 Total			**230,368**	**0**	
93.353	21ST Century Cures Act-Beau Biden Cancer Moonshot	0000939646	3600	19,782	0	PT
93.353		PO# BD522497	3600	41,304	0	PT
	Federal Program 93.353 Total			**61,086**	**0**	
93.359	Nurse Education, Practice and Retention Grants		3600	138,608	8,171	
	Federal Program 93.359 Total			**138,608**	**8,171**	
93.369	ACL Independent Living State Grants		3000	350,628	259,354	
	Federal Program 93.369 Total			**350,628**	**259,354**	
93.408	ARRA - Nurse Faculty Loan Program		3600	(12,538)	0	OL
93.408			3600	94,212	0	OL
	Federal Program 93.408 Total			**81,674**	**0**	
93.424	Non-Aca/PPHF-Building Capacity of the Public Health	9	3030	4,683	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.424	Non-Aca/PPHFBuilding Capacity of the Public Health	1262017	3600	100,067	72,582	PT
93.424		2402018	3600	108,719	36,724	PT
93.424		UW ID: A120969	3600	18,822	0	PT
	Federal Program 93.424 Total			**232,291**	**109,306**	
93.433	ACL National Institute on Disability, Independent		3600	4,175,156	353,148	
93.433		000513370-002 AMA01	3600	7,606	0	PT
93.433		000513370-002 AMA02	3600	22,724	0	PT
93.433		1090524-394080	3600	35,970	0	PT
93.433		90DP0037-03-00 MOD01	3600	6,716	0	PT
93.433			3650	462,591	200,193	
	Federal Program 93.433 Total			**4,710,763**	**553,341**	
93.441	Indian Self-Determination	C17-01 (PO# 26996)	3600	20,786	0	PT
	Federal Program 93.441 Total			**20,786**	**0**	
93.448	Food Safety and Security Monitoring Project		3030	228,663	0	
93.448			4950	219,192	0	
	Federal Program 93.448 Total			**447,855**	**0**	
93.464	ACL Assistive Technology		3600	754,482	0	
	Federal Program 93.464 Total			**754,482**	**0**	
93.500	Pregnancy Assistance Fund Program		3030	1,441,382	477,994	
	Federal Program 93.500 Total			**1,441,382**	**477,994**	
93.511	Affordable Care Act Grants to States Health Prem R		1050	2,841,741	0	
	Federal Program 93.511 Total			**2,841,741**	**0**	
93.516	Public Health Training Centers Program		3600	891,547	117,679	
	Federal Program 93.516 Total			**891,547**	**117,679**	
93.517	Affordable Care Act Aging & Disability Rsrc Center		3000	110,573	16,092	
	Federal Program 93.517 Total			**110,573**	**16,092**	
93.518	Affordable Care Act Medicare Improv for Patients &		1600	4,271	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 93.518 Total			**4,271**	**0**	
93.521	The Affordable Care Act: Building Epidemiology, La		3030	1,356,467	94,356	
	Federal Program 93.521 Total			**1,356,467**	**94,356**	
93.535	Affordable Care Act (Aca) Childhood Obesity Resear	18-278	3600	33,473	0	PT
	Federal Program 93.535 Total			**33,473**	**0**	
93.539	PPHF Capacity Building Assistance to Strengthen Pu		3030	4,462,710	152,782	
	Federal Program 93.539 Total			**4,462,710**	**152,782**	
93.542	Health Promotion and Disease Prevention Research C		3600	103,868	3,344	
	Federal Program 93.542 Total			**103,868**	**3,344**	
93.556	Promoting Safe and Stable Families		3000	6,699,464	0	
93.556		KC263200	3700	39,107	0	PT
93.556		KC267300	3700	146,253	0	PT
	Federal Program 93.556 Total			**6,884,824**	**0**	
93.563	Child Support Enforcement		3000	112,620,345	27,492,774	
	Federal Program 93.563 Total			**112,620,345**	**27,492,774**	
93.566	Refugee and Entrant Assistance_State Administered		1070	9,921	0	
93.566			3000	17,568,556	576,829	
	Federal Program 93.566 Total			**17,578,477**	**576,829**	
93.568	Low-Income Home Energy Assistance		1030	57,237,175	50,931,138	
	Federal Program 93.568 Total			**57,237,175**	**50,931,138**	
93.569	Community Services Block Grant		1030	8,444,717	7,966,841	
	Federal Program 93.569 Total			**8,444,717**	**7,966,841**	
93.576	Refugee and Entrant Assistance_Discretionary Grant		3000	335,327	269,447	
93.576		1665-77400	6990	88,487	0	PT
	Federal Program 93.576 Total			**423,814**	**269,447**	
93.579	U.S. Repatriation		3000	69	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 93.579 Total			**69**	**0**	
93.584	Refugee and Entrant Assistance_Targeted Assistance		3000	810,558	0	
	Federal Program 93.584 Total			**810,558**	**0**	
93.586	State Court Improvement Program		0550	504,648	0	
	Federal Program 93.586 Total			**504,648**	**0**	
93.590	Community-Based Child Abuse Prevention Grants		3570	803,806	294,653	
	Federal Program 93.590 Total			**803,806**	**294,653**	
93.597	Grants to States for Access and Visitation Program		3000	154,431	152,951	
	Federal Program 93.597 Total			**154,431**	**152,951**	
93.599	Chafee Education and Training Vouchers Program		3000	669,575	0	
	Federal Program 93.599 Total			**669,575**	**0**	
93.600	Head Start		3570	134,717	0	
93.600		2016030075 AM02	3600	354,786	0	PT
93.600		2016090248 A01	3600	181,840	0	PT
93.600		201709279N	3600	347,135	0	PT
93.600		201709280N A03	3600	421,221	0	PT
93.600			3700	1,963,214	0	
93.600			6990	28,546,486	0	
93.600		09854	6990	206,591	0	PT
93.600		1550	6990	156,986	0	PT
93.600		Early Headstart	6990	81,288	0	PT
93.600		Headstart	6990	352,319	0	PT
93.600		LOA#10332	6990	71,629	0	PT
93.600		LOA#9951	6990	35,885	0	PT
	Federal Program 93.600 Total			**32,854,097**	**0**	
93.602	Assets for Independence Demonstration Program		3650	254,764	0	
	Federal Program 93.602 Total			**254,764**	**0**	
93.603	Adoption and Legal Guardianship Incentive Payments		3000	587,000	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 93.603 Total			**587,000**	**0**	
93.612	Native American Programs	UW634491	3600	14,638	0	PT
93.612		WSU003561	3650	15,383	0	PT
	Federal Program 93.612 Total			**30,021**	**0**	
93.624	Aca - State Innovation Models: Funding for Model		1070	17,274,465	1,060,089	
	Federal Program 93.624 Total			**17,274,465**	**1,060,089**	
93.630	Developmental Disabilities Basic Support and Advoc		1030	1,240,776	262,102	
	Federal Program 93.630 Total			**1,240,776**	**262,102**	
93.631	Developmental Disabilities Projects of National Si		1030	87,114	29,954	
	Federal Program 93.631 Total			**87,114**	**29,954**	
93.632	University Centers for Excellence in Developmental		3600	544,588	0	
	Federal Program 93.632 Total			**544,588**	**0**	
93.638	Aca-Transforming Clinical Practice Initiative: Pra		3030	3,828,775	1,408,135	
93.638			3600	8,873,829	0	
	Federal Program 93.638 Total			**12,702,604**	**1,408,135**	
93.639	Aca-Transforming Clinical Practice Initiative: Sup	AMEND 2	3600	282,521	0	PT
93.639		UW631313	3600	80,739	0	PT
	Federal Program 93.639 Total			**363,260**	**0**	
93.643	Children's Justice Grants to States		3000	392,509	0	
	Federal Program 93.643 Total			**392,509**	**0**	
93.645	Stephanie Tubbs Jones Child Welfare Services Progr		3000	5,199,324	0	
93.645		1C10080	3700	183,343	0	PT
	Federal Program 93.645 Total			**5,382,667**	**0**	
93.652	Adoption Opportunities		3600	568,428	357,271	
93.652		90CO1134-01-00 (PRIME)	3600	50,751	0	PT
93.652		UW662831	3600	35,188	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 93.652 Total			**654,367**	**357,271**	
93.658	Foster Care Title Iv-E		3000	125,394,074	0	
93.658		KC261400	3700	1,154,614	83,077	PT
	Federal Program 93.658 Total			**126,548,688**	**83,077**	
93.659	Adoption Assistance		3000	49,969,958	0	
	Federal Program 93.659 Total			**49,969,958**	**0**	
93.667	Social Services Block Grant		3000	41,239,668	0	
	Federal Program 93.667 Total			**41,239,668**	**0**	
93.669	Child Abuse and Neglect State Grants		3000	588,794	0	
	Federal Program 93.669 Total			**588,794**	**0**	
93.671	Family Violence Prevention and Services/Grants for		3000	2,108,641	1,994,550	
	Federal Program 93.671 Total			**2,108,641**	**1,994,550**	
93.674	Chafee Foster Care Independence Program		3000	3,512,170	1,985,277	
	Federal Program 93.674 Total			**3,512,170**	**1,985,277**	
93.732	Mental and Behavioral Health Education and Training		3600	256,970	0	
	Federal Program 93.732 Total			**256,970**	**0**	
93.733	Capacity Building Assist Strenthen PH Immuniz		3030	312,045	103,768	
93.733		1H231P000985-01 AM01	3600	121,078	0	PT
	Federal Program 93.733 Total			**433,123**	**103,768**	
93.734	Empowering Older Adults & Adults With Disabilities		3000	421,752	186,693	
93.734		UW637296	3600	5,428	0	PT
	Federal Program 93.734 Total			**427,180**	**186,693**	
93.735	State Public Health Approaches for Ensuring Quitli		3030	282,315	255,668	
	Federal Program 93.735 Total			**282,315**	**255,668**	
93.752	Cancer Prevention and Control Prog		3030	30,067	29,710	
	Federal Program 93.752 Total			**30,067**	**29,710**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.753	Child Lead Poisoning Prevention Surveillance Finan		3030	155,166	0	
	Federal Program 93.753 Total			**155,166**	**0**	
93.757	State and Local Public Health Actions to Prevent O		3030	4,287,660	1,987,391	
93.757		3004111112	3650	5,078	0	PT
	Federal Program 93.757 Total			**4,292,738**	**1,987,391**	
93.758	Preventive Health and Health Services Block Grant		3030	1,205,917	357,316	
	Federal Program 93.758 Total			**1,205,917**	**357,316**	
93.767	Children's Health Insurance Program		1070	154,433,952	0	
93.767			3000	4,164,991	0	
	Federal Program 93.767 Total			**158,598,943**	**0**	
93.788	Opioid Str		3000	13,246,819	1,063,374	
	Federal Program 93.788 Total			**13,246,819**	**1,063,374**	
93.791	Money Follows the Person Rebalancing Demonstration		3000	19,127,678	262,370	
	Federal Program 93.791 Total			**19,127,678**	**262,370**	
93.800	Organized Approaches to Increase Colorectal Cancer		3030	1,326,630	888,714	
	Federal Program 93.800 Total			**1,326,630**	**888,714**	
93.808	Increasing the Implementation of Evidence-Based CA		3030	250,249	125,000	
	Federal Program 93.808 Total			**250,249**	**125,000**	
93.810	Paul Coverdell National Acute Stroke Program Natio		3030	836,638	166,771	
	Federal Program 93.810 Total			**836,638**	**166,771**	
93.815	Domestic Ebola Supplement to the Epidemiology and		3030	702,843	209,067	
	Federal Program 93.815 Total			**702,843**	**209,067**	
93.817	Hospital Preparedness Program (HPP) Ebola Prepared		3030	562,996	357,317	
	Federal Program 93.817 Total			**562,996**	**357,317**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.822	Health Careers Opportunity Program		3600	526,458	0	
	Federal Program 93.822 Total			**526,458**	**0**	
93.840	Translation and Implementation Science Research Fo		3600	25,609	0	
	Federal Program 93.840 Total			**25,609**	**0**	
93.876	Antimicrobial Resistance Surveillance in Retail Fo		3030	146,307	0	
	Federal Program 93.876 Total			**146,307**	**0**	
93.877	Autism Collaboration, Accountability, Research, Ed		3600	169,015	0	
	Federal Program 93.877 Total			**169,015**	**0**	
93.881	The Health Insurance Enforcement and Consumer Prot		1600	340,890	0	
	Federal Program 93.881 Total			**340,890**	**0**	
93.884	Grants for Primary Care Training and Enhancement		3600	735,119	103,749	
	Federal Program 93.884 Total			**735,119**	**103,749**	
93.888	Specially Selected Health Projects		3650	(6,126)	0	
	Federal Program 93.888 Total			**(6,126)**	**0**	
93.889	National Bioterrorism Hospital Preparedness Progra		3030	3,815,332	2,340,688	
	Federal Program 93.889 Total			**3,815,332**	**2,340,688**	
93.898	Cancer Prevention and Control Programs for State,		3030	5,406,519	3,405,506	
	Federal Program 93.898 Total			**5,406,519**	**3,405,506**	
93.913	Grants to States for Operation of Offices of Rural		3030	190,466	15,690	
	Federal Program 93.913 Total			**190,466**	**15,690**	
93.917	HIV Care Formula Grants		3030	17,222,015	12,852,738	
	Federal Program 93.917 Total			**17,222,015**	**12,852,738**	
93.924	Ryan White HIV/AIDS Dental Reimbursements\Communit		3600	35,980	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 93.924 Total			**35,980**	**0**	
93.939	HIV Prevention Activities_Non-Governmental Organiz		3600	1,025,995	215,770	
	Federal Program 93.939 Total			**1,025,995**	**215,770**	
93.940	HIV Prevention Activities_Health Department Based		3030	3,242,986	1,320,854	
	Federal Program 93.940 Total			**3,242,986**	**1,320,854**	
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immuno		3030	1,636,198	985,129	
	Federal Program 93.944 Total			**1,636,198**	**985,129**	
93.945	Assistance Programs for Chronic Disease Prevention		3030	1,024,349	12,737	
93.945		11554SUB	3600	1,503	0	PT
93.945		11750SUB	3600	4,585	0	PT
93.945		WFUHS 114527 AMEND 1	3600	21,161	0	PT
93.945		WFUHS 114528 AMEND 2	3600	39,047	0	PT
93.945		WFUHS116058U18DP00613	3600	18,574	0	PT
	Federal Program 93.945 Total			**1,109,219**	**12,737**	
93.946	Cooperative Agreements to Support State-Based Safe		3030	178,027	0	
	Federal Program 93.946 Total			**178,027**	**0**	
93.958	Block Grants for Community Mental Health Services		3000	12,475,788	4,843,343	
	Federal Program 93.958 Total			**12,475,788**	**4,843,343**	
93.959	Block Grants for Prevention and Treatment of Subst		3000	32,845,067	11,035,993	
	Federal Program 93.959 Total			**32,845,067**	**11,035,993**	
93.969	PPHF Geriatric Education Centers		3600	869,665	240,716	
	Federal Program 93.969 Total			**869,665**	**240,716**	
93.977	Sexually Transmitted Diseases (STD) Prevention and		3030	2,565,758	1,088,632	
93.977			3600	715,276	4,634	
93.977		13010103000000ST	3600	25,450	0	PT
93.977		SG-652	3600	83,696	0	PT

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Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 93.977 Total			**3,390,180**	**1,093,266**	
93.994	Maternal and Child Health Services Block Grant to		3030	8,715,437	5,164,179	
	Federal Program 93.994 Total			**8,715,437**	**5,164,179**	
93.U01	HHS - Unknown CFDA Number	132359001	3650	74,598	0	PT
	Federal Program 93.U01 Total			**74,598**	**0**	
93.U02	HHS - Unknown CFDA Number	160608	3650	94,023	0	PT
	Federal Program 93.U02 Total			**94,023**	**0**	
93.U03	HHS - Unknown CFDA Number	2037093	3650	62,027	0	PT
	Federal Program 93.U03 Total			**62,027**	**0**	
93.U04	HHS - Unknown CFDA Number	FY18001024	3650	173,965	0	PT
	Federal Program 93.U04 Total			**173,965**	**0**	
93.U05	HHS - Unknown CFDA Number	KC25816	3650	4,102	0	PT
	Federal Program 93.U05 Total			**4,102**	**0**	
93.U06	HHS - Unknown CFDA Number	WSU003306	3650	2,297	0	PT
	Federal Program 93.U06 Total			**2,297**	**0**	
93.U07	HHS - Unknown CFDA Number	WSU003418	3650	1,285	0	PT
	Federal Program 93.U07 Total			**1,285**	**0**	
93.U08	HHS - Unknown CFDA Number	WSU003495	3650	32,573	0	PT
	Federal Program 93.U08 Total			**32,573**	**0**	
93.U09	HHS - Unknown CFDA Number	WSU003704	3650	17,532	0	PT
	Federal Program 93.U09 Total			**17,532**	**0**	
93.U10	HHS - Unknown CFDA Number	NA	3700	2,000	0	PT
	Federal Program 93.U10 Total			**2,000**	**0**	
Dept of Health & Human Services Total				**1,060,549,457**	**285,355,952**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Federal Programs Not Clustered

Corp for National & Community Service

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
94.002	Retired and Senior Volunteer Program		3750	59,731	0	
94.002			6990	50,237	0	
	Federal Program 94.002 Total			**109,968**	**0**	
94.003	State Commissions		1050	331,620	0	
	Federal Program 94.003 Total			**331,620**	**0**	
94.006	Americorps		1050	13,400,328	3,370,789	
94.006		480200	3600	156,789	0	PT
94.006			3800	621,969	0	
94.006			6990	155,485	0	
	Federal Program 94.006 Total			**14,334,571**	**3,370,789**	
94.009	Training and Technical Assistance		1050	122,884	0	
	Federal Program 94.009 Total			**122,884**	**0**	
94.013	Volunteers in Service to America		3800	15,000	0	
	Federal Program 94.013 Total			**15,000**	**0**	
94.019	Social Innovation Fund	2015-0077	3600	67,390	0	PT
	Federal Program 94.019 Total			**67,390**	**0**	
94.021	Volunteer Generation Fund		1050	67,173	66,650	
	Federal Program 94.021 Total			**67,173**	**66,650**	
Corp for National & Community Service Total				**15,048,606**	**3,437,439**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Federal Programs Not Clustered

Executive Office of the President

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
95.001	High Intensity Drug Trafficking Areas Program		2250	1,268,935	48,564	
95.001		K12446-TF25	2250	1,125	0	PT
95.001		9001500076-01	3600	37,237	0	PT
95.001		9001600053	3600	22,320	0	PT
95.001		9004000062	3600	13,557	0	PT
	Federal Program 95.001 Total			**1,343,174**	**48,564**	
Executive Office of the President Total				**1,343,174**	**48,564**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Federal Programs Not Clustered

Dept of Homeland Security

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
97.008	Non-Profit Security Program		2450	44,580	44,580	
	Federal Program 97.008 Total			**44,580**	**44,580**	
97.012	Boating Safety Financial Assistance		4650	2,344,246	0	
	Federal Program 97.012 Total			**2,344,246**	**0**	
97.023	Community Assistance Program State Support Service		4610	165,364	0	
	Federal Program 97.023 Total			**165,364**	**0**	
97.029	Flood Mitigation Assistance		2450	363,121	282,079	
	Federal Program 97.029 Total			**363,121**	**282,079**	
97.036	Disaster Grants - Public Assistance (Presidentiall		2450	34,278,109	34,271,176	
	Federal Program 97.036 Total			**34,278,109**	**34,271,176**	
97.039	Hazard Mitigation Grant		2450	2,195,371	1,711,659	
	Federal Program 97.039 Total			**2,195,371**	**1,711,659**	
97.041	National Dam Safety Program		4610	89,059	0	
	Federal Program 97.041 Total			**89,059**	**0**	
97.042	Emergency Management Performance Grants		2450	7,725,169	4,289,545	
	Federal Program 97.042 Total			**7,725,169**	**4,289,545**	
97.043	State Fire Training Systems Grants		2250	19,097	0	
	Federal Program 97.043 Total			**19,097**	**0**	
97.044	Assistance to Firefighters Grant		2250	240,571	0	
	Federal Program 97.044 Total			**240,571**	**0**	
97.045	Cooperating Technical Partners		2450	7,749	0	
97.045			3600	77,131	0	
97.045			4610	197,597	0	
97.045			4900	292,224	0	
	Federal Program 97.045 Total			**574,701**	**0**	
97.046	Fire Management Assistance Grant		2450	11,030,228	71,630	
	Federal Program 97.046 Total			**11,030,228**	**71,630**	
97.047	Pre-Disaster Mitigation		2450	1,027,508	972,210	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Dept of Homeland Security

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
97.047	Pre-Disaster Mitigation	EMS-14 PC 003	3760	202,659	0	PT
	Federal Program 97.047 Total			**1,230,167**	**972,210**	
97.061	Centers for Homeland Security	2015-01722-03 MOD04	3600	135,318	0	PT
97.061		2015017220215547AM01	3600	(20)	0	PT
97.061		P0484663 AM05	3600	91,154	0	PT
97.061		PO484663 AM04	3600	5,791	0	PT
97.061		50503678050	3650	82,919	0	PT
	Federal Program 97.061 Total			**315,162**	**0**	
97.067	Homeland Security Grant Program	K12007-SG86	2250	7,133	0	PT
97.067			2450	12,234,540	11,214,551	
97.067		201706017	4770	3,033	0	PT
97.067		Agreement	4770	3,834	0	PT
	Federal Program 97.067 Total			**12,248,540**	**11,214,551**	
97.U01	Homeland Security - Unknown CFDA Number	141335	3650	10,159	0	PT
	Federal Program 97.U01 Total			**10,159**	**0**	
97.U08	Homeland Security - Unknown CFDA Number	112SE1368	4770	1,054	0	
	Federal Program 97.U08 Total			**1,054**	**0**	
97.U09	Homeland Security - Undetermined	WA0349900	4770	20,361	0	
	Federal Program 97.U09 Total			**20,361**	**0**	
Dept of Homeland Security Total				**72,895,059**	**52,857,430**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

U.S. Agency for International Development

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
98.001	USAID Foreign Assistance for Programs Overseas		3600	2,077,748	822,091	
98.001		00449784111052AM06	3600	26,969	0	PT
98.001		102137.001.004.003.004	3600	1,073,265	4,311	PT
98.001		BPO17014WO001MOD001	3600	(14)	0	PT
98.001		IMA0420162USHINDIUWA	3600	22,465	16,404	PT
98.001		UNF-17-897 AM01	3600	37,338	0	PT
98.001			3650	739,715	96,236	
98.001		20140373901	3650	8,833	0	PT
98.001		45136419276	3650	2,781	0	PT
	Federal Program 98.001 Total			**3,989,100**	**939,042**	
98.012	USAID Development Partnerships for University Coop	00008193 AM08	3600	11,314	0	PT
	Federal Program 98.012 Total			**11,314**	**0**	
	U.S. Agency for International Development Total			**4,000,414**	**939,042**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Undetermined Fed Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
99.U01	Unknown Fed Agency Unknown CFDA Number	WSU000801	3650	360	0	PT
	Federal Program 99.U01 Total			**360**	**0**	
	Undetermined Fed Agency Total			**360**	**0**	
Federal Programs Not Clustered Total				**3,306,152,137**	**895,351,284**	

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Research and Development

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.001	Agricultural Research_Basic and Applied Research		3600	203,515	0	
10.001			3650	1,747,097	3,327	
	Federal Program 10.001 Total			**1,950,612**	**3,327**	
	Agricultural Research Service Total			**1,950,612**	**3,327**	
10.200	Grants for Agricultural Research, Special Research		3600	695,038	321,234	
10.200			3650	619,495	446,801	
10.200		20150258701WSU	3650	13,546	0	PT
10.200		20150258715WSU	3650	2,963	0	PT
10.200		20150258717WSU	3650	39,535	0	PT
10.200		20150258718WSU	3650	3,092	0	PT
10.200		20150258736WSUGRANAS	3650	2,378	0	PT
10.200		20150258737WSUWATERS	3650	(129)	0	PT
10.200		A180916S001	3650	6,773	0	PT
10.200		A180916S002	3650	15,642	0	PT
10.200		A180916S003	3650	6,286	0	PT
10.200		A180916S004	3650	287	0	PT
10.200		AFE742346	3650	931	0	PT
10.200		BJKP36SB003	3650	18,348	0	PT
10.200		G140261	3650	104,536	0	PT
	Federal Program 10.200 Total			**1,528,721**	**768,035**	
10.202	Cooperative Forestry Research		3600	585,171	0	
10.202			3650	106,127	0	
	Federal Program 10.202 Total			**691,298**	**0**	
10.203	Payments to Agricultural Experiment Stations Under		3650	4,585,790	0	
	Federal Program 10.203 Total			**4,585,790**	**0**	
10.207	Animal Health and Disease Research		3650	77,450	0	
	Federal Program 10.207 Total			**77,450**	**0**	
10.212	Small Business Innovation Research	11781801	3650	16	0	PT
10.212		130318	3650	7,608	0	PT
	Federal Program 10.212 Total			**7,624**	**0**	

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Research and Development

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.215	Sustainable Agriculture Research and Education	090758003	3650	(1,448)	0	PT
10.215		130676002240	3650	85,465	0	PT
10.215		130676021282	3650	16,905	0	PT
10.215		130676022	3650	116	0	PT
10.215		140867029223	3650	26,360	17,482	PT
10.215		140867032373	3650	20,164	0	PT
10.215		14086704268	3650	30,195	0	PT
10.215		15089300001266	3650	15,190	0	PT
10.215		15089300001267	3650	686	0	PT
10.215		15089300001268	3650	15,249	0	PT
10.215		15089300001271	3650	13,787	0	PT
10.215		150893169	3650	59,927	0	PT
10.215		20059200001316	3650	21,144	0	PT
10.215		200592380	3650	45,847	0	PT
10.215		200592445	3650	7,328	0	PT
10.215		201207511	3650	3,848	0	PT
10.215		201207548	3650	4,340	0	PT
10.215		201207568	3650	2,290	0	PT
	Federal Program 10.215 Total			**367,393**	**17,482**	
10.227	1994 Institutions Research Program	UW630823	3600	7,191	0	PT
	Federal Program 10.227 Total			**7,191**	**0**	
	National Institute of Food and Agriculture Total			**7,265,467**	**785,517**	
10.250	Agricultural and Rural Economic Research		3650	17,737	0	
	Federal Program 10.250 Total			**17,737**	**0**	
	Economic Research Service Total			**17,737**	**0**	
10.307	Organic Agriculture Research and Extension Initiat		3650	723,219	249,032	
10.307		14082302	3650	49,388	0	PT
10.307		C0519AA	3650	3,728	0	PT
	Federal Program 10.307 Total			**776,335**	**249,032**	
10.310	Agriculture and Food Research Initiative (Afri)		3600	3,742,756	2,656,595	
10.310		612K032 AM03	3600	70,091	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.310	Agriculture and Food Research Initiative (Afri)	UNR1550PR2013670192136	3600	6,701	0	PT
10.310			3650	6,598,713	544,261	
10.310		07594515343	3650	79,049	0	PT
10.310		101474002	3650	69,356	0	PT
10.310		102117659	3650	324,660	0	PT
10.310		20122309005	3650	78,376	0	PT
10.310		20160356617	3650	4,858	0	PT
10.310		2018031801	3650	4,727	0	PT
10.310		29034SUB51751	3650	3,962	0	PT
10.310		30122SUBWSU	3650	8,249	0	PT
10.310		58864Z5057201	3650	34,933	0	PT
10.310		A181616S001	3650	4,232	0	PT
10.310		BGK418SB001	3650	28,362	0	PT
10.310		BJKL03SB002	3650	134,990	0	PT
10.310		BJKP55SB002	3650	28,440	0	PT
10.310		BJKQ80SB001	3650	303,737	0	PT
10.310		BKK664SB001	3650	36,010	0	PT
10.310		C00544064	3650	32,134	0	PT
10.310		C0414CB	3650	51	0	PT
10.310		H005365302	3650	68,286	0	PT
10.310		RC104967WSU	3650	68,693	0	PT
10.310		RC105806WSU	3650	25,217	0	PT
10.310		SPC-000376	3650	27,733	11,898	PT
10.310		UFDSP00011803	3650	67,312	0	PT
10.310			3760	38,271	0	
10.310		201568001-23230	3760	71,906	0	PT
10.310		30122SUB524346	3760	18,058	0	PT
10.310		202569WWU	3800	28,995	0	PT
	Federal Program 10.310 Total			**12,008,858**	**3,212,754**	
	National Institute of Food and Agriculture Total			**12,785,193**	**3,461,786**	
10.680	Forest Health Protection		3600	3,956	0	
10.680			3650	(100)	0	
10.680		69329-10949	3800	1,327	0	PT
10.680			4900	274,268	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.680	Forest Health Protection		4950	128,011	0	
	Federal Program 10.680 Total			**407,462**	**0**	
	Forest Service Total			**407,462**	**0**	
10.RD	Agriculture - Unknown CFDA Number	20142-DRESCHLER-NIFA	3600	106,833	0	PT
10.RD		MOD 2	3600	(11)	0	PT
	Federal Program 10.RD Total			**106,822**	**0**	
	USDA Contract Number Only Provided Total			**106,822**	**0**	
Dept of Agriculture Total				**22,533,293**	**4,250,630**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.417	Sea Grant Support		3600	4,310,888	578,533	
11.417		MA1310	3600	42,642	0	PT
11.417		0648-0362	6990	53,359	0	PT
	Federal Program 11.417 Total			**4,406,889**	**578,533**	
11.420	Coastal Zone Management Estuarine Research Reserve		4610	767,143	0	
	Federal Program 11.420 Total			**767,143**	**0**	
11.427	Fisheries Development and Utilization Research and		3600	412,182	509	
11.427		AM01	3600	32,738	0	PT
11.427		NA15NMF4270318 AM01	3600	35,873	0	PT
11.427		NA15NMF4270322 AM02	3600	4,645	0	PT
	Federal Program 11.427 Total			**485,438**	**509**	
11.431	Climate and Atmospheric Research		3600	1,649,956	94,202	
11.431		16-04 AM03	3600	65,426	0	PT
11.431		NA291A-B AM02	3600	55,964	0	PT
	Federal Program 11.431 Total			**1,771,346**	**94,202**	
11.432	National Oceanic and Atmospheric Administration (N		3600	18,999,233	0	
11.432		NA17NMF4270221	3800	1,260	0	PT
	Federal Program 11.432 Total			**19,000,493**	**0**	
11.459	Weather and Air Quality Research		3600	41,498	0	
	Federal Program 11.459 Total			**41,498**	**0**	
11.467	Meteorologic and Hydrologic Modernization Developm		2450	721,437	549,495	
	Federal Program 11.467 Total			**721,437**	**549,495**	
11.468	Applied Meteorological Research		3600	204,486	0	
	Federal Program 11.468 Total			**204,486**	**0**	
11.472	Unallied Science Program	1402	3600	113,043	0	PT
11.472		1408	3600	1,763	0	PT
11.472		1509B AM01	3600	91,752	0	PT
11.472		1525	3600	10,362	0	PT
11.472		1533 AM02	3600	66,256	0	PT

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Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.472	Unallied Science Program	1603AM01NA15NMF47201	3600	70,504	0	PT
11.472		1609 AM01	3600	79,818	0	PT
11.472		1615	3600	27,198	0	PT
11.472		17-75-08 AM01	3600	135,901	0	PT
11.472		1705	3600	50,846	0	PT
11.472		1722	3600	32,544	0	PT
11.472		1722-90	3600	861	0	PT
11.472		1724	3600	51,720	0	PT
11.472		A92-02A	3600	157,512	0	PT
11.472		A92-02B	3600	11,823	0	PT
11.472		A93-02A	3600	21,336	0	PT
11.472		A93-02B	3600	37,758	0	PT
11.472		A94-00A	3600	4,408	0	PT
11.472		A94-00B	3600	21,136	0	PT
11.472		CT 180000354	3600	38,291	0	PT
11.472		F6423 AM01	3600	3,589	0	PT
11.472		PROJECT# 1601	3600	109,032	0	PT
11.472		1427C	3800	50,438	0	PT
11.472		1533	3800	9,901	0	PT
11.472		1701	3800	49,985	0	PT
11.472			4770	511,776	0	
11.472		0303.17.058776	4770	237	0	PT
	Federal Program 11.472 Total			**1,759,790**	**0**	
	National Oceanic and Atmospheric Administration (N Total			**29,158,520**	**1,222,739**	
11.609	Measurement and Engineering Research and Standards		3600	670,932	87,799	
11.609			3700	(534)	0	
	Federal Program 11.609 Total			**670,398**	**87,799**	
	National Institute of Standards and Technology (Ni Total			**670,398**	**87,799**	
11.RD	Commerce - Unknown CFDA Number	632151721	3600	18,121	0	PT
11.RD		Unknown	3600	108,685	0	
	Federal Program 11.RD Total			**126,806**	**0**	
	Commerce Contract Number Only Provided Total			**126,806**	**0**	
	Dept of Commerce Total			**29,955,724**	**1,310,538**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.114	Collaborative Research and Development		4610	43,101	0	
	Federal Program 12.114 Total			**43,101**	**0**	
	Department of the Army, Office of the Chief of Eng Total			**43,101**	**0**	
12.300	Basic and Applied Scientific Research		3600	26,680,704	1,042,527	
12.300		00009483 AM01	3600	101,261	0	PT
12.300		2 GG007783 AM11	3600	41,608	0	PT
12.300		417318/URFAO GR510770	3600	3,051	0	PT
12.300		78559-10699 AM02	3600	249,519	0	PT
12.300		7855910699N00014161261	3600	22,417	0	PT
12.300		A101081 AM05	3600	122,364	0	PT
12.300		A101380 AM01	3600	28,818	0	PT
12.300		EGC1A127289	3600	34,684	0	PT
12.300		G-22069-1 AM03	3600	47,018	0	PT
12.300			3650	1,654,598	0	
12.300		US01	3650	57,027	0	PT
12.300		WSU003720	3650	29,673	0	PT
12.300			3800	136,228	0	
12.300			4770	319,409	0	
	Federal Program 12.300 Total			**29,528,379**	**1,042,527**	
	Department of the Navy, Office of the Chief of Nav Total			**29,528,379**	**1,042,527**	
12.351	Basic Scientific Research - Combating Weapons of		3600	2,534,460	12,475	
12.351		0058320 (413992-1)	3600	4,298	0	PT
12.351			3650	1,678,744	121,252	
12.351		SUB0000083	3650	51,612	0	PT
	Federal Program 12.351 Total			**4,269,114**	**133,727**	
	Office of the Secretary of Defense Total			**4,269,114**	**133,727**	
12.420	Military Medical Research and Development		3600	9,708,622	1,263,632	
12.420		0000814873 AM02	3600	28,719	0	PT
12.420		0000814873 AM03	3600	217,173	0	PT
12.420		0000814876 AM3	3600	137,841	0	PT
12.420		0000843084 AM02	3600	11,489	0	PT
12.420		0000843085 AM02	3600	8,402	0	PT

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Research and Development

Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.420	Military Medical Research and Development	0000863149 AM01	3600	3,176	0	PT
12.420		0258-0701-4609 AM02	3600	3,414	0	PT
12.420		0258-0701-4609 AM1	3600	(33)	0	PT
12.420		0258-1031-4609	3600	157,434	0	PT
12.420		10033316	3600	(25)	0	PT
12.420		1008339_UWA	3600	4,903	0	PT
12.420		1130213-394810	3600	20,230	0	PT
12.420		12-18717-99-01-G1 AM01	3600	421,075	0	PT
12.420		16704-00	3600	10,943	0	PT
12.420		2001977042 MOD05	3600	472	0	PT
12.420		201114	3600	3,925	0	PT
12.420		2016.0003 AM01	3600	91,868	0	PT
12.420		3003179988 AM03	3600	17,984	0	PT
12.420		3003179988 AM06	3600	67,695	0	PT
12.420		3003346129 AM03	3600	8,882	0	PT
12.420		3004575805	3600	39,185	0	PT
12.420		4500002564	3600	38,644	0	PT
12.420		61399-Z8524002	3600	8,395	0	PT
12.420		8455 AM05	3600	398,214	0	PT
12.420		8455SC AM03	3600	116,393	0	PT
12.420		8455SC AM2	3600	48,253	0	PT
12.420		9912SC AM01	3600	32,058	0	PT
12.420		CHAO2022-01 AM01	3600	61,445	0	PT
12.420		MSRC-FY-16-01 MOD01	3600	428,329	38,112	PT
12.420		PO 2002505331 MOD03	3600	3,145	0	PT
12.420		PO# 2002478756 MOD01	3600	15,126	0	PT
12.420		PT108802-SC104833 AM05	3600	4,692	0	PT
12.420		PT108802-SC104833 AM08	3600	114,248	0	PT
12.420		R01477 AM06	3600	19,042	7,644	PT
12.420		RC108014-UW	3600	4,232	0	PT
12.420		RM128A-B AM01	3600	121,970	0	PT
12.420		RNG200317-UW AM02	3600	17,022	0	PT
12.420		T659929 AM02	3600	10,443	0	PT
12.420		UFDSP00010722 AM01	3600	9,205	0	PT
12.420		VUMC37447 MOD04	3600	80	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Research and Development

Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.420	Military Medical Research and Development	W81XWH1020090 MOD03	3600	3,460	0	PT
12.420		WFUHS441002BGU02AM0	3600	2,887	0	PT
12.420			3650	1,057,839	0	
12.420		8442SC	3650	81,862	0	PT
12.420			3700	12,119	0	
	Federal Program 12.420 Total			**13,572,477**	**1,309,388**	
	U.S. Army Medical Command Total			**13,572,477**	**1,309,388**	
12.431	Basic Scientific Research		3600	4,270,855	739,595	
12.431		0000934254	3600	27,153	0	PT
12.431		201301077-03 AM10	3600	105,157	0	PT
12.431		3003766303 AM02	3600	6,949	0	PT
12.431		C13J11497CON80000020A	3600	21,822	0	PT
12.431		KK1810 AM02	3600	52,430	0	PT
12.431		R01884 AM01	3600	44,506	0	PT
12.431			3650	881,351	142,404	
12.431		20150616603	3650	94,587	0	PT
12.431		S15216	3650	50,418	0	PT
	Federal Program 12.431 Total			**5,555,228**	**881,999**	
	U.S. Army Materiel Command Total			**5,555,228**	**881,999**	
12.630	Basic, Applied, and Advanced Research in Science A		3600	126,758	0	
12.630		0220160028 AM02	3600	531,179	373,513	PT
12.630		N000141420002	6990	74,855	0	PT
	Federal Program 12.630 Total			**732,792**	**373,513**	
	Office of the Secretary of Defense Total			**732,792**	**373,513**	
12.800	Air Force Defense Resch Sciences Program		3600	5,265,223	1,995,096	
12.800		5710004246	3600	13,138	0	PT
12.800		60814399-114411 AM07	3600	162,311	0	PT
12.800		61129790-119334 AM02	3600	161,148	0	PT
12.800		61129790-119334 AM03	3600	25,000	0	PT
12.800		707824-874J AM04	3600	298,693	0	PT
12.800		R01868 AM01	3600	101,145	0	PT
12.800		SP0022325PROJ0007154A	3600	206,737	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.800	Air Force Defense Resch Sciences Program	UTA15-001301 AM03	3600	105,937	0	PT
12.800			3650	407,952	0	
12.800			3800	77,696	0	
	Federal Program 12.800 Total			**6,824,980**	**1,995,096**	
	Department of the Air Force, Materiel Command Total			**6,824,980**	**1,995,096**	
12.902	Information Security Grant Program		3600	674,366	12,532	
12.902			6990	491,927	0	
	Federal Program 12.902 Total			**1,166,293**	**12,532**	
	National Security Agency Total			**1,166,293**	**12,532**	
12.910	Research and Technology Development		3600	3,281,092	986,721	
12.910		14544 MOD06	3600	97,998	0	PT
12.910		28-M1702181 AM01	3600	103,880	0	PT
12.910		28-M1802338	3600	19,247	0	PT
12.910		67102239 AM02	3600	555,817	0	PT
12.910		WA00572439OSP2016165M	3600	23,885	0	PT
12.910			3650	625,889	106,354	
12.910		28M1702710	3650	71,386	0	PT
	Federal Program 12.910 Total			**4,779,194**	**1,093,075**	
	Advanced Research Projects Agency Total			**4,779,194**	**1,093,075**	
12.RD	DOD - Unknown CFDA Number	C130156FED-HCB3/LBL3	2250	26,804	0	
12.RD		K13138-HCB4/LBL4	2250	198,085	0	
12.RD			3600	36,667,802	1,528,012	
12.RD		1295-S-TA153 AM02	3600	83,908	0	PT
12.RD		15020-504519-DS	3600	22,462	0	PT
12.RD		17-8400-09-C1 MOD03	3600	94,534	0	PT
12.RD		1990377-350157 AM06	3600	6,040	0	PT
12.RD		2002927679	3600	4,733	0	PT
12.RD		2016-1147 MOD01	3600	140,223	0	PT
12.RD		2016-1147 MOD06	3600	287,144	0	PT
12.RD		27-001450 MOD08	3600	247,368	0	PT
12.RD		3(GG011207) AM03	3600	260,702	0	PT
12.RD		3115-SC001, AMEND # 03	3600	9,224	0	PT
12.RD		9285SUBCONTRACT20160	3600	114,899	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Defense

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12.RD	DOD - Unknown CFDA Number	930600-7	3600	408,971	0	PT
12.RD		A121653	3600	79,235	0	PT
12.RD		AFTTS-UW-002	3600	48,864	0	PT
12.RD		AM01	3600	57,596	0	PT
12.RD		AM05	3600	28,340	0	PT
12.RD		AMM-MT-UW-001	3600	42,668	0	PT
12.RD		BBN # 14775	3600	78,998	0	PT
12.RD		CKM1STOTTLERHENKEU	3600	38,089	0	PT
12.RD		CONTRACT132791MOD01	3600	11,785	0	PT
12.RD		CONTRACT132791MOD02	3600	32,230	0	PT
12.RD		CRFR-009-02-01 MOD04	3600	19,899	0	PT
12.RD		FIRST AMENDMENT	3600	46,794	0	PT
12.RD		G-01606-1	3600	37,524	0	PT
12.RD		HPTIDRCSUB2014PETTTU	3600	20,715	0	PT
12.RD		K000886-00-S06 MOD10	3600	(6,941)	0	PT
12.RD		LBN9512876 MOD 9	3600	120,175	0	PT
12.RD		MA1316 AM01	3600	495,228	0	PT
12.RD		MA1400	3600	38,498	0	PT
12.RD		N00014-17-1-2606	3600	16,295	0	PT
12.RD		N006060601 AM01	3600	184,100	0	PT
12.RD		N006060604 AM01	3600	1,119,299	0	PT
12.RD		N68335-17-C-0371	3600	73,934	0	PT
12.RD		NAVFACPROJ65TON62470	3600	115,446	0	PT
12.RD		PO # 138890	3600	(433)	0	PT
12.RD		PO # 138890 AM01	3600	404	0	PT
12.RD		PO #4207023728	3600	141,738	0	PT
12.RD		PO 4102467283 AM05	3600	50,543	0	PT
12.RD		PO XS3606850E	3600	(250)	0	PT
12.RD		PO# 4103296825 AM02	3600	73,517	0	PT
12.RD		PO# 9171	3600	7,208	0	PT
12.RD		PO#2936118 CO02	3600	7,560	0	PT
12.RD		PO40301399TASKT2C2S1K	3600	10,483	0	PT
12.RD		PO40301399TASKT4C3S1J	3600	38,203	0	PT
12.RD		PRIME HR0011-16-C-0116	3600	188,096	0	PT
12.RD		PROJECT042959PO170502	3600	797,187	108,746	PT
12.RD		PS150026 MOD04	3600	92,325	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.RD	DOD - Unknown CFDA Number	R1567501	3600	83,379	0	PT
12.RD		RM119A-A AM03	3600	106,967	0	PT
12.RD		S-10494-01	3600	105,887	0	PT
12.RD		S16-17 MOD02	3600	21,531	0	PT
12.RD		S17-033001 MOD001	3600	134,435	0	PT
12.RD		SA18004	3600	2,400	0	PT
12.RD		SRAS001407-01 MOD02	3600	(4,876)	0	PT
12.RD		SUB/TASK# SURF II AM03	3600	(213)	0	PT
12.RD		SUBCONTRACT # 89236	3600	166,687	0	PT
12.RD		T72595 CO04	3600	116,117	0	PT
12.RD		UW630056	3600	62,361	0	PT
12.RD		UW639884	3600	105,306	0	PT
12.RD		UW662959	3600	1,766	0	PT
12.RD		W81XWH-11-1-0835 AM03	3600	20,864	0	PT
12.RD		W911QY15C0099SUB3AM	3600	203,998	0	PT
12.RD		CH0042 W912DW17F2102	3700	1,719	0	PT
12.RD		W911S8-17-2-0012	4770	112,340	0	
12.RD		W9127N-14-2-0012-0010	4770	219,964	0	
12.RD		W9127N-14-2-0012-0011	4770	756,316	0	
12.RD		W9127N-14-2-0012-0012	4770	230,007	0	
12.RD		W912DW-14-2-0002	4770	31,422	0	
	Federal Program 12.RD Total			**45,156,628**	**1,636,758**	
	DOD Contract Number Only Provided Total			**45,156,628**	**1,636,758**	
Dept of Defense Total				**111,628,186**	**8,478,615**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Housing & Urban Development

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
14.RD	HUD - Unknown CFDA Number	HHSI-17-S-1004	3600	8,207	0	PT
	Federal Program 14.RD Total			**8,207**	**0**	
	HUD Contract Number Only Provided Total			**8,207**	**0**	
Housing & Urban Development Total				**8,207**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Research and Development

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.650	Research Grants (Generic)		3600	26,812	0	
15.650			3650	176,406	0	
15.650			4770	16,029	0	
	Federal Program 15.650 Total			**219,247**	**0**	
15.669	Cooperative Landscapte Conservation		3600	130,488	15,362	
	Federal Program 15.669 Total			**130,488**	**15,362**	
	Fish and Wildlife Service Total			**349,735**	**15,362**	
15.805	Assistance to State Water Resources Research Insti		3650	72,990	0	
	Federal Program 15.805 Total			**72,990**	**0**	
15.807	Earthquake Hazards Program Assistance		3600	1,715,971	0	
15.807			3750	342,238	0	
15.807			3800	10,322	0	
	Federal Program 15.807 Total			**2,068,531**	**0**	
15.808	U.S. Geological Survey_ Research and Data Collecti		3600	361,413	0	
15.808			3650	32,917	0	
15.808			3700	30,090	0	
15.808			3800	4,615	0	
15.808			4610	88,978	0	
	Federal Program 15.808 Total			**518,013**	**0**	
15.812	Cooperative Research Units Program		3600	242,285	0	
	Federal Program 15.812 Total			**242,285**	**0**	
15.818	Volcano Hazards Prog Res & Monitoring		3600	57,591	0	
	Federal Program 15.818 Total			**57,591**	**0**	
	U.S. Geological Survey Total			**2,959,410**	**0**	
15.945	Cooperative Research & Training Pgrom Resources Na		3600	557,392	0	
15.945			3650	128,128	0	
15.945			3750	7,690	0	
15.945			3800	240,538	0	
15.945			4900	34,269	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 15.945 Total			**968,017**	**0**	
	National Park Service Total			**968,017**	**0**	
15.RD	Department of the Interior - Unknown CFDA Number	200082121 MOD01	3600	52,934	0	PT
15.RD		2100.16.051829	3600	35,739	0	PT
15.RD		P1780001	3600	64,311	0	PT
15.RD		PO18258	3600	35,282	0	PT
15.RD		PO18258 MOD02	3600	247,023	0	PT
15.RD		Unknown	3600	105,506	0	
	Federal Program 15.RD Total			**540,795**	**0**	
	DOI Contract Number Only Provided Total			**540,795**	**0**	
Dept of the Interior Total				**4,817,957**	**15,362**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Justice

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
16.560	National Institute of Justice Research, Evaluation		2250	44,553	0	
16.560			3600	653,628	106,311	
16.560		09904	3600	77,811	0	PT
16.560		10386 AM01	3600	55,963	0	PT
16.560		UW664160	3600	33,088	0	PT
16.560			3650	522,132	0	
16.560		4972WSUNIJ0055	3650	14,272	0	PT
	Federal Program 16.560 Total			**1,401,447**	**106,311**	
	National Institute of Justice Total			**1,401,447**	**106,311**	
Dept of Justice Total				**1,401,447**	**106,311**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of State

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
19.RD	Department of State - Unknown CFDA Number	401UW MOD04	3600	20,950	0	PT
19.RD		FAA3/UOW/2016 MOD05	3600	219,860	0	PT
19.RD		ORC11640200529697CRTA	3600	10,317	0	PT
19.RD		Unknown	3600	25,304	0	
	Federal Program 19.RD Total			**276,431**	**0**	
	State Contract Number Only Provided Total			**276,431**	**0**	
Dept of State Total				**276,431**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

Dept of Transportation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
20.108	Aviation Research Grants		3600	196,644	40,950	
20.108			4050	722,556	0	
	Federal Program 20.108 Total			**919,200**	**40,950**	
20.109	Air Transportation Centers of Excellence		3600	717,876	73,226	
20.109			3650	871,695	0	
	Federal Program 20.109 Total			**1,589,571**	**73,226**	
	Federal Aviation Administration (Faa) Total			**2,508,771**	**114,176**	
20.200	Highway Research and Development Program	12-M1702362 AM01	3600	75,000	0	PT
20.200		HR1091AMOD01SUB00009	3600	50,419	0	PT
20.200		HR1091AMOD01SUB00009	3600	107,647	21,659	PT
20.200			3650	351,738	0	
20.200			3700	93,033	0	
20.200			4050	4,609,329	0	
	Federal Program 20.200 Total			**5,287,166**	**21,659**	
	Federal Highway Administration (FHWA) Total			**5,287,166**	**21,659**	
20.RD	Department of Transportation - Unknown CFDA Number	008500 TO.012 MOD03	3600	51,197	0	PT
20.RD		008742.007	3600	(40)	0	PT
20.RD		008742.007 AM02	3600	112,455	0	PT
20.RD		5909229	3600	8,277	0	PT
20.RD		8928S008TASKORDER13M	3600	(493)	0	PT
20.RD		P010192645 MOD 1	3600	39,549	0	PT
20.RD		RSGPROJECT14205MOD0	3600	14,712	0	PT
20.RD		S-002234-UW-00 MOD06	3600	16,319	0	PT
20.RD		Unknown	3600	1,154	0	
20.RD		UW664604	3600	781	0	PT
20.RD		UW665310	3600	91,001	0	PT
20.RD		UW666029	3600	90,999	0	PT
20.RD		UW668314	3600	5,313	0	PT
	Federal Program 20.RD Total			**431,224**	**0**	
	DOT Contract Number Only Provided Total			**431,224**	**0**	
Dept of Transportation Total				**8,227,161**	**135,835**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

National Aeronautics & Space Admin

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
43.003	Exploration		3600	216,045	122,588	
	Federal Program 43.003 Total			**216,045**	**122,588**	
43.009	Cross Agency Support		3650	9,697	0	
	Federal Program 43.009 Total			**9,697**	**0**	
	National Aeronautic & Space Administration Total			**225,742**	**122,588**	
43.RD	National Aeronautics and Space Administration - Un	#A121581	3600	136,660	0	PT
43.RD		12-0233 MOD07	3600	211,205	0	PT
43.RD		1303809 MOD26	3600	46,125	0	PT
43.RD		1318945 MOD24	3600	174,965	0	PT
43.RD		1475635	3600	84,636	0	PT
43.RD		1506559 MOD03	3600	14,315	0	PT
43.RD		1520171	3600	27,979	0	PT
43.RD		1529015	3600	27,824	0	PT
43.RD		1542830 MOD05	3600	210,329	0	PT
43.RD		1555656	3600	27,686	0	PT
43.RD		1557414 MOD01	3600	30,972	0	PT
43.RD		1583665	3600	121,570	0	PT
43.RD		1585843	3600	49,954	0	PT
43.RD		1586145 MOD02	3600	24,700	0	PT
43.RD		1587724	3600	3,325	0	PT
43.RD		1608 MOD01	3600	32,838	0	PT
43.RD		1609-UWAL PH2-X - PH3	3600	3,149	0	PT
43.RD		1636-UW	3600	34,102	0	PT
43.RD		2003281677 AM 1	3600	7,333	0	PT
43.RD		AMENDMENT 1	3600	20,432	0	PT
43.RD		HST-GO-12055.01-A AM09	3600	106,074	0	PT
43.RD		HST-GO-14072.007-A	3600	10,623	0	PT
43.RD		PO# 48654.1	3600	60,897	0	PT
43.RD		PY24261-22727-D AM31	3600	52,718	0	PT
43.RD		SC#1526158 MOD03	3600	11,408	0	PT
43.RD		SC#1526158 MOD05	3600	146,219	0	PT
43.RD		SPACEDOC-2 2017-001	3600	36,799	0	PT
43.RD		Unknown	3600	266,273	48,938	

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Research and Development

National Aeronautics & Space Admin

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 43.RD Total			**1,981,110**	**48,938**	
	NASA Contract Number Only Provided Total			**1,981,110**	**48,938**	
	National Aeronautics & Space Admin Total			**2,206,852**	**171,526**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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National Science Foundation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.041	Engineering Grants		3600	16,831,205	1,580,571	
47.041		00009375 AM02	3600	154,895	0	PT
47.041		0190 G SA465	3600	149,602	0	PT
47.041		077966-15619 AM03	3600	25,650	0	PT
47.041		1001434807	3600	15,182	0	PT
47.041		1122191-379633 AM01	3600	17,738	0	PT
47.041		124050-5104118 AM01	3600	82,281	0	PT
47.041		2016-01-PM-USM	3600	31,405	0	PT
47.041		2016-05-EP-USM	3600	13,200	0	PT
47.041		2825004301S07AM0115365	3600	3,444	0	PT
47.041		340812 AM1	3600	92,244	0	PT
47.041		479852-19124 MOD01	3600	92,491	0	PT
47.041		A126254	3600	28,584	0	PT
47.041		A16-0090-S001	3600	30,265	0	PT
47.041		EEC-144507 AM03	3600	42,976	0	PT
47.041		S1738A-A AM03	3600	52,358	0	PT
47.041		UTA14-000587 AM03	3600	9,695	0	PT
47.041		UTA15-000857 AM02	3600	69,707	0	PT
47.041		UW OSP #A110020	3600	1,454	0	PT
47.041		UW635063	3600	61,702	0	PT
47.041		UW635197	3600	469	0	PT
47.041		UW663965	3600	37,705	0	PT
47.041		UW668076	3600	10,798	0	PT
47.041			3650	2,927,118	207,662	
47.041		3003760323	3650	37,370	0	PT
47.041		410151649	3650	(199)	0	PT
47.041		A120044S007	3650	46,741	0	PT
47.041			3800	30,156	0	
47.041		RSP-15040	3800	17,106	0	PT
47.041		260118A	6990	6,316	0	PT
	Federal Program 47.041 Total			**20,919,658**	**1,788,233**	
47.049	Mathematical and Physical Sciences		3600	15,273,991	2,167,530	
47.049		(PRIME 1649365)	3600	2,100	0	PT
47.049		00008651 AM02	3600	(3,675)	0	PT
47.049		0009390 AM01	3600	139,769	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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National Science Foundation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.049	Mathematical and Physical Sciences	1505861(01)	3600	9,022	0	PT
47.049		183405376 AM01	3600	6,245	0	PT
47.049		202054 AM05	3600	1,773	0	PT
47.049		27418-03741-S01	3600	13,571	0	PT
47.049		573250	3600	64,869	0	PT
47.049		751098361PHY0757058PRI	3600	153,091	0	PT
47.049		7850410756AM01DMR1629	3600	100,131	0	PT
47.049		C14D11736(D01999)AM01	3600	48,115	0	PT
47.049		C14D11736(D01999)AM03	3600	88,578	0	PT
47.049		E256GV A018	3600	16,815	0	PT
47.049		N51948C AM04	3600	3,262,496	0	PT
47.049		PHY-1219444	3600	1,857	0	PT
47.049		PRIME DMS-1345499	3600	477	0	PT
47.049		RC104177UW AM03	3600	241,908	0	PT
47.049		T663470 AM04	3600	(3,436)	0	PT
47.049		T849870	3600	64,969	0	PT
47.049			3650	1,990,069	92,688	
47.049			3700	94,382	0	
47.049			3750	59,790	0	
47.049		3-8-710-890	3750	2,885	0	PT
47.049			3800	760,885	0	
47.049		2018-74803	3800	3,656	0	PT
	Federal Program 47.049 Total			**22,394,333**	**2,260,218**	
47.050	Geosciences		3600	19,257,562	724,047	
47.050		07-UWA-SAGE AM05	3600	57,899	0	PT
47.050		14-NSF-1031 AM03	3600	12,241	0	PT
47.050		14386AM03PRNSF1338810	3600	123,683	0	PT
47.050		18-352	3600	137,345	0	PT
47.050		20(GG009393)AM02	3600	22,827	0	PT
47.050		20B(GG009393) AM02	3600	10,204	0	PT
47.050		20C(GG009393) AM01	3600	45,952	0	PT
47.050		55591530 AM03	3600	28,008	0	PT
47.050		61125317-112715 AM01	3600	8,959	0	PT
47.050		80326143 AM01	3600	103,039	0	PT
47.050		91566589	3600	1,547	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

National Science Foundation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.050	Geosciences	97578 AM001	3600	69,204	0	PT
47.050		A003176715AM011246761	3600	43,163	0	PT
47.050		A101293 AM01	3600	162,579	0	PT
47.050		EAR-1325457-UW-1	3600	281	0	PT
47.050		G-3624-12 AM06	3600	(87)	0	PT
47.050		GSTCN0106S2 AM08	3600	1,268	0	PT
47.050		GSTCN0106S2 AM10	3600	1,319	0	PT
47.050		KK1641 AM02	3600	23,414	0	PT
47.050		SA 9-09	3600	10,027,946	0	PT
47.050		SA 9-09 MOD 50	3600	(8,793)	0	PT
47.050		SA 9-09 MOD 58	3600	279,254	0	PT
47.050		SA 9-09 MOD 60	3600	2,868,097	0	PT
47.050		SA 9-09 MOD 64	3600	13,699	0	PT
47.050		SA 9-09 MOD 65	3600	39,445	0	PT
47.050		SUB0000005 AM06	3600	530,269	0	PT
47.050		SUB0000005 AM07	3600	297,079	0	PT
47.050		SUBAWD000130 MOD01	3600	55,806	0	PT
47.050		Z1621925MOD02PAGS1541	3600	29,724	0	PT
47.050			3650	957,921	11,477	
47.050		IBK289SB001	3650	304,676	0	PT
47.050		NWRA17S195	3650	237	0	PT
47.050		SUB0000169	3650	35,594	0	PT
47.050		WSU003361	3650	9,782	0	PT
47.050			3750	1,904,652	0	
47.050		S10-EAR1261833-S2	3750	137,330	0	PT
47.050		S16-ICER1639709-S2	3750	39,919	0	PT
47.050			3800	393,147	0	
47.050		217059WWU-YR2	3800	4,231	0	PT
47.050		53(GG009393)	3800	12,162	0	PT
47.050		53(GG09393) PO G11792	3800	13,421	0	PT
47.050		T350A77/BA-77	3800	440	0	PT
47.050			6990	8,384	0	
	Federal Program 47.050 Total			**38,064,829**	**735,524**	
47.070	Computer and Information Science and Engineering		3600	15,444,907	289,866	
47.070		020016-16462	3600	39,898	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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National Science Foundation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.070	Computer and Information Science and Engineering	1122507-379498	3600	101,861	0	PT
47.070		1549807 MOD06	3600	153,044	0	PT
47.070		1556133	3600	47,324	0	PT
47.070		201242-480	3600	18,180	0	PT
47.070		27338-Z4338001 AMB	3600	60,886	0	PT
47.070		27338Z4338001AMAIIS144	3600	5,542	0	PT
47.070		340051-55900 MOD02	3600	101,677	0	PT
47.070		47958919124PRIMEACI154	3600	29,105	0	PT
47.070		56086-Z4322002 AM A	3600	14,914	0	PT
47.070		91563015	3600	85,668	0	PT
47.070		A006581303	3600	28,585	0	PT
47.070		POSTDOC002	3600	39,575	0	PT
47.070		POSTDOC002 AM002	3600	109,529	0	PT
47.070		SUBAWARD #15829	3600	9,604	0	PT
47.070		UW800001	3600	31,018	0	PT
47.070			3650	2,451,489	159,523	
47.070		19062062011806	3650	60,257	0	PT
47.070		RC104385WSU	3650	2,896	0	PT
47.070		Z0051A-B	3650	36,269	0	PT
47.070			3760	84,420	0	
47.070		15-203230-00-00	3800	42,950	0	PT
	Federal Program 47.070 Total			**18,999,598**	**449,389**	
47.074	Biological Sciences		3600	5,149,093	10,788	
47.074		14-02 AM02	3600	253,184	0	PT
47.074		17-025 (1616821)	3600	82,201	0	PT
47.074		333-2379	3600	58,092	0	PT
47.074		61-2075UW AM03	3600	7,916	0	PT
47.074		61-2075UW AM06	3600	9,476	0	PT
47.074		61-2075UW AM12	3600	9,402	0	PT
47.074		612075UW AM16	3600	38,660	0	PT
47.074		612075UW AM18	3600	396,472	0	PT
47.074		C00050974-2	3600	114,204	0	PT
47.074		F-2017-140 AM01	3600	67,322	0	PT
47.074		J20161-1557186 AM01	3600	1,683	0	PT
47.074		S1713A-A AM03	3600	6,738	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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National Science Foundation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.074	Biological Sciences		3650	7,205,457	2,467,176	
47.074		17014S1	3650	121,910	0	PT
47.074		20171	3650	173,057	0	PT
47.074			3750	14,385	0	
47.074		RR167-627/S000812	3750	63,653	0	PT
47.074			3760	87,224	0	
47.074			3800	135,792	0	
47.074		UAF 18-0059/PO521291	3800	95,498	0	PT
47.074			6990	2,638	0	
	Federal Program 47.074 Total			**14,094,057**	**2,477,964**	
47.075	Social, Behavioral, and Economic Sciences		3600	3,144,475	81,321	
47.075		1122280-355037 AM02	3600	14,386	0	PT
47.075		13007301A02PO000134381	3600	6,262	0	PT
47.075		2003471317	3600	12,039	0	PT
47.075		28896-04459 SO1 AM01	3600	31,387	0	PT
47.075			3650	396,477	3,355	
47.075		SFI20160914	3650	42,695	0	PT
47.075			3800	446,079	0	
	Federal Program 47.075 Total			**4,093,800**	**84,676**	
47.076	Education and Human Resources		3600	17,290,018	1,771,992	
47.076		0000014299DUE1356440A	3600	2,900	0	PT
47.076		1554145 MOD01	3600	204,442	0	PT
47.076		1554735 AM01	3600	21,288	0	PT
47.076		2015-1287E	3600	3,074	0	PT
47.076		2016-01	3600	(89,547)	0	PT
47.076		2017-01	3600	448,234	0	PT
47.076		21-0-1-488070-01	3600	2,611	0	PT
47.076		3-8-710-890	3600	10,513	0	PT
47.076		61462251-126900 AM01	3600	92,257	0	PT
47.076		DRL-1612739 MOD01	3600	73,544	0	PT
47.076		DRL-1612739 MOD03	3600	168,913	0	PT
47.076		MUSC13-081 AM07	3600	11,609	0	PT
47.076		NSF DRL-1223730	3600	7,740	0	PT
47.076		S1666A-A AM04	3600	60,491	0	PT
47.076		SP0027430PROJ0007182A	3600	48,976	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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National Science Foundation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.076	Education and Human Resources	UNIV 58757 AM05	3600	19,835	0	PT
47.076		UW630875	3600	82,278	0	PT
47.076		UW661728	3600	11,423	0	PT
47.076			3650	3,192,195	969,438	
47.076		13890001	3650	838	0	PT
47.076		502391	3650	8,552	0	PT
47.076		CCURIYEARII20162017	3650	3,363	0	PT
47.076		KCTPS715	3650	14,220	0	PT
47.076		SA0000521	3650	25,275	0	PT
47.076		WSU003046	3650	6,667	0	PT
47.076		WSU003308	3650	25,293	0	PT
47.076			3700	326,351	3,145	
47.076			3750	342,507	0	
47.076		DUE-1125331	3750	18,162	0	PT
47.076			3760	70,901	0	
47.076			3800	1,089,425	0	
47.076		NSF AWARD NO> 1102362	3800	9,081	0	PT
47.076			6990	5,598,844	0	
47.076		1304405	6990	31,158	0	PT
47.076		1356479-1	6990	22,183	0	PT
47.076		1601587	6990	22,226	0	PT
47.076		1700674	6990	29,482	0	PT
47.076		19-010	6990	45,795	0	PT
47.076		1T3A	6990	46,549	0	PT
47.076		DUE 1304405	6990	31,158	0	PT
	Federal Program 47.076 Total			**29,430,824**	**2,744,575**	
47.078	Polar Programs		3600	534,173	0	
47.078			3800	20,147	0	
	Federal Program 47.078 Total			**554,320**	**0**	
47.079	Office of International Science and Engineering		3600	100,600	0	
47.079		FP065300-C	3600	9,183	0	PT
47.079		S1315A-C AM08	3600	50,158	0	PT
47.079			3650	16,570	0	
47.079		OISE16627650A	3650	19,638	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

National Science Foundation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.079	Office of International Science and Engineering		3750	83,822	0	
	Federal Program 47.079 Total			**279,971**	**0**	
47.080	Office of Cyberinfrastructure		3600	22,708	0	
47.080		120082-00001-286 AM01	3600	12,281	0	PT
	Federal Program 47.080 Total			**34,989**	**0**	
	National Science Foundation Total			**148,866,379**	**10,540,579**	
47.RD	NSF - Unknown CFDA Number	AM01	3600	(3,263)	0	PT
47.RD		UW662320	3600	41,225	0	PT
	Federal Program 47.RD Total			**37,962**	**0**	
	NSF - Contract Number Only Provided Total			**37,962**	**0**	
National Science Foundation Total				**148,904,341**	**10,540,579**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Environmental Protection Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
66.034	Surveys, Studies, Research, Investigations, Demons	01J41301	3760	5,714	0	PT
66.034			4610	702,731	171,446	
	Federal Program 66.034 Total			**708,445**	**171,446**	
	Office of Air and Radiation Total			**708,445**	**171,446**	
66.509	Science to Achieve Results (Star) Research Program		3600	2,025,134	187,641	
66.509		1080358-364871 AM02	3600	21,098	0	PT
66.509		1080358-364872 AM01	3600	37,538	0	PT
66.509		1080358-364874 AM02	3600	106,672	0	PT
66.509		1080358-364876 AM02	3600	216,099	0	PT
66.509		1080358-364925 AM02	3600	17,182	0	PT
66.509		3RAW5 AM02	3600	9,310	0	PT
66.509			3650	435,401	5,000	
66.509		1125215081534	3650	48,078	0	PT
66.509		112521-5081532	3800	49,086	0	PT
	Federal Program 66.509 Total			**2,965,598**	**192,641**	
66.511	Office of Research and Development Consolidated Re	4945-RFA13-1/14-6	3600	(45,249)	0	PT
	Federal Program 66.511 Total			**(45,249)**	**0**	
66.514	Science to Achieve Results (Star) Fellowship Progr		3600	50,488	0	
66.514			3650	15,194	0	
	Federal Program 66.514 Total			**65,682**	**0**	
	Office of Research and Development Total			**2,986,031**	**192,641**	
66.RD	Environmental Protection Agy-Unknown CFDA Number	13-601/303/PO-01	3600	(1)	0	PT
66.RD		TAA18-003	3600	6,853	0	PT
	Federal Program 66.RD Total			**6,852**	**0**	
	EPA Contract Number Only Provided Total			**6,852**	**0**	
	Environmental Protection Agency Total			**3,701,328**	**364,087**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.049	Office of Science Financial Assistance		3600	17,518,517	1,578,587	
81.049		001035-7980 AM05	3600	134,219	0	PT
81.049		085587-16359	3600	55,750	0	PT
81.049		1553756 MOD02	3600	121,914	0	PT
81.049		20030705905A6929AM04	3600	65,282	0	PT
81.049		2018-32	3600	26,450	0	PT
81.049		5108338	3600	4,321	0	PT
81.049		G140-15-W5072 AM03	3600	188,748	0	PT
81.049		UW637066	3600	(3,102)	0	PT
81.049		UW664900	3600	17,467	0	PT
81.049		UW802121	3600	22,968	0	PT
81.049			3650	3,199,399	124,036	
81.049		12912001	3650	(431)	0	PT
81.049		23009WS	3650	80,448	0	PT
81.049		23021W	3650	60,212	0	PT
81.049		2512150123011	3650	186,866	0	PT
81.049		740058874P	3650	80,101	0	PT
81.049		A003127004	3650	40,851	0	PT
81.049		BJKQ05SB001	3650	103,226	0	PT
81.049		DDPSC21705WS	3650	(10)	0	PT
81.049		E252GTA349	3650	111,465	0	PT
81.049		G11517W6230	3650	99,278	0	PT
81.049		G12318W5072	3650	104,385	0	PT
	Federal Program 81.049 Total			**22,218,324**	**1,702,623**	
	Headquarters Office Total			**22,218,324**	**1,702,623**	
81.057	University Coal Research		3600	50,510	21,137	
81.057			3650	3,731	0	
	Federal Program 81.057 Total			**54,241**	**21,137**	
	Office of Fossil Energy Total			**54,241**	**21,137**	
81.086	Conservation Research and Development		3600	835,834	0	
81.086		AM01	3600	57,683	0	PT
81.086		OSE-16-54	3600	33,864	0	PT
81.086		130540001	3650	28,280	0	PT
81.086		20126127	3650	(3,928)	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.086	Conservation Research and Development	C72418,71839,75844,744	3700	159,857	0	PT
	Federal Program 81.086 Total			**1,111,590**	**0**	
81.087	Renewable Energy Research and Development		3600	1,476,106	164,114	
81.087		1010	3600	129,591	0	PT
81.087		G0152A-B AM05	3600	241,567	0	PT
81.087		MA140025 AM03	3600	35,833	0	PT
81.087		PO# 0007101424 AM3	3600	57,529	0	PT
81.087			3650	537,325	311,695	
81.087		06S170616	3650	93,498	0	PT
81.087		4010115801	3650	44,275	0	PT
81.087		WSU002046	3650	(7,821)	0	PT
81.087		PO 4700002553	3800	3,622	0	PT
81.087			4900	188,759	49,737	
	Federal Program 81.087 Total			**2,800,284**	**525,546**	
	Energy Efficiency and Renewable Energy Total			**3,911,874**	**525,546**	
81.089	Fossil Energy Research and Development	LGFCS US DE-FE0023337	3600	53,931	0	PT
81.089		UTA17-000308 AM02	3600	26,481	0	PT
81.089			3650	179,180	0	
81.089		132086001	3650	49,469	0	PT
	Federal Program 81.089 Total			**309,061**	**0**	
	Office of Fossil Energy Total			**309,061**	**0**	
81.113	Defense Nuclear Nonproliferation Research		3650	120,179	66,840	
	Federal Program 81.113 Total			**120,179**	**66,840**	
	National Nuclear Security Administration Total			**120,179**	**66,840**	
81.135	Advanced Research Projects Agency - Energy		3600	1,737,501	11,955	
81.135		1556660	3600	12,450	0	PT
81.135		G0135BAAM02DEAR00004	3600	1	0	PT
81.135		UFDSP00012001	3600	75,352	0	PT
81.135			3650	21,659	0	
81.135		12006903B00	3650	(528)	0	PT
81.135		4012006C	3650	173,628	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Energy

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81.135	Advanced Research Projects Agency - Energy	653029807	3650	(921)	0	PT
81.135		UNIV58355	3650	202,345	0	PT
	Federal Program 81.135 Total			**2,221,487**	**11,955**	
	Electricity Delivery & Energy Reliab 1000 Total			**2,221,487**	**11,955**	
81.214	Environmental Monitoring/Cleanup Cultural Rsrc Mgt		2450	636,885	537,791	
81.214			4610	3,123,425	0	
	Federal Program 81.214 Total			**3,760,310**	**537,791**	
	Savannah River Operations Office Total			**3,760,310**	**537,791**	
81.RD	Department of Energy - Unknown CFDA Number	06-2018	3600	55,144	0	PT
81.RD		1679421 REV02	3600	162,468	0	PT
81.RD		168751	3600	118,013	0	PT
81.RD		1855616	3600	41,422	0	PT
81.RD		243766 TO 330280 MOD02	3600	20,397	0	PT
81.RD		243766 TO# 380775	3600	30,213	0	PT
81.RD		243766 TO# 400723	3600	34,224	0	PT
81.RD		243766 TO#312492 MOD02	3600	136,110	0	PT
81.RD		243766 TO257527	3600	33,713	0	PT
81.RD		243766 TO276890 MOD02	3600	33,927	0	PT
81.RD		243766 TO290383 MOD06	3600	21,267	0	PT
81.RD		243766 TO358850	3600	15,568	0	PT
81.RD		243766TASKORDER345576	3600	25,053	0	PT
81.RD		243766TO245600MOD05	3600	16,026	0	PT
81.RD		243766TO276416MOD05	3600	3,600	0	PT
81.RD		243766TO352057MOD03	3600	44,762	0	PT
81.RD		252206 AM10	3600	(752)	0	PT
81.RD		252206 AM11	3600	103,239	0	PT
81.RD		263488 MOD02	3600	3,281	0	PT
81.RD		326594	3600	36,195	0	PT
81.RD		335751 MOD03	3600	56,890	0	PT
81.RD		339224	3600	1,044	0	PT
81.RD		344693	3600	5,923	0	PT
81.RD		4000146123 MOD06	3600	212,857	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Energy

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81.RD	Department of Energy - Unknown CFDA Number	4000158760	3600	26,605	0	PT
81.RD		436061 MOD01	3600	73,675	0	PT
81.RD		472094 / BAN# 285272	3600	1,792	0	PT
81.RD		6700882 MOD33	3600	28,140	0	PT
81.RD		6700882 MOD34	3600	150,014	0	PT
81.RD		716001-003 MOD01	3600	172,682	0	PT
81.RD		7374375 MOD04	3600	320,057	0	PT
81.RD		7F-30056 MOD02	3600	48,960	0	PT
81.RD		7F-30111 MOD02	3600	89,217	0	PT
81.RD		8F-30037 M0D02	3600	11,241	0	PT
81.RD		8F-30064	3600	3,879	0	PT
81.RD		8F-30090	3600	28,781	0	PT
81.RD		94237401 AM02	3600	71,244	0	PT
81.RD		AMENDMENT 1	3600	24,006	0	PT
81.RD		B620544	3600	83,223	0	PT
81.RD		B621663 MOD02	3600	63,308	0	PT
81.RD		CR289642 AM11	3600	1,644	0	PT
81.RD		DE-NA0002717 DSI-UW-01	3600	(3,386)	0	PT
81.RD		MA# 243766 TO# 362615	3600	44,698	0	PT
81.RD		MA# 243766 TO#354654	3600	3,529	0	PT
81.RD		MA#243766 TO#325576	3600	19,746	0	PT
81.RD		MA#243766 TO#339065	3600	659	0	PT
81.RD		MA#243766 TO#355049	3600	36,364	0	PT
81.RD		MA#243766 TO#356518	3600	25,529	0	PT
81.RD		MA#243766 TO#362042	3600	31,104	0	PT
81.RD		MA#243766 TO#362943	3600	25,000	0	PT
81.RD		MA#243766 TO#403450	3600	1,511	0	PT
81.RD		MA243766TO292896MOD0	3600	26,622	0	PT
81.RD		MA243766TO298849MOD0	3600	5,174	0	PT
81.RD		MA243766TO303349MOD0	3600	69,908	0	PT
81.RD		MA243766TO324144MOD0	3600	(443)	0	PT
81.RD		MA243766TO334666MOD0	3600	60,066	0	PT
81.RD		MA243766TO345552MOD0	3600	8,979	0	PT
81.RD		MA243766TO348483MOD0	3600	113,571	0	PT
81.RD		MA243766TO402123MOD0	3600	19,298	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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81.RD	Department of Energy - Unknown CFDA Number	MASTER243766TASK3947	3600	30,579	0	PT
81.RD		P.O #6300	3600	6,337	0	PT
81.RD		PO #343940	3600	(1,000)	0	PT
81.RD		PO# 629798	3600	10,000	0	PT
81.RD		S015900-H	3600	6,514	0	PT
81.RD		SUBCONTRACTNO8F3000	3600	20,000	0	PT
81.RD		T.O. 269812 MOD02	3600	44,084	0	PT
81.RD		TASKORDER335418MOD0	3600	88,283	0	PT
81.RD		TO 294322 MOD02	3600	28,964	0	PT
81.RD		TO#345788	3600	12,124	0	PT
81.RD		TO321938 MOD02	3600	122,234	0	PT
81.RD		TO342908	3600	34,935	0	PT
81.RD		TO386893MASTER243766	3600	57,440	0	PT
81.RD		TO386893MOD01MASTER	3600	55,438	0	PT
81.RD		Unknown	3600	1,411,929	0	
81.RD		UW662484	3600	30,000	0	PT
81.RD		UW800401	3600	(11,132)	0	PT
81.RD		UW802603	3600	22,276	0	PT
81.RD		XHQ-7-70162-01 MOD02	3600	155,030	0	PT
	Federal Program 81.RD Total			**5,021,016**	**0**	
	DOE Contract Number Only Provided Total			**5,021,016**	**0**	
Dept of Energy Total				**37,616,492**	**2,865,892**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.022	Overseas Programs - Doctoral Dissertation Research		3600	18,097	0	
	Federal Program 84.022 Total			**18,097**	**0**	
	Office of Postsecondary Education Total			**18,097**	**0**	
84.133	National Institute on Disability and Rehabilitation		3650	(2,664)	0	
	Federal Program 84.133 Total			**(2,664)**	**0**	
	Office of Special Education and Rehabilitative Ser Total			**(2,664)**	**0**	
84.220	Centers for International Business Education		3600	285,431	0	
84.220		BL-4236301-UW	3600	1,811	0	PT
	Federal Program 84.220 Total			**287,242**	**0**	
	Office of Postsecondary Education Total			**287,242**	**0**	
84.305	Education Research, Development and Dissemination		3600	2,375,521	651,257	
84.305		0110503230MOD04PO13RR	3600	45,463	0	PT
84.305		03664 MOD02	3600	6,599	0	PT
84.305		03664 MOD04	3600	2,911	0	PT
84.305		29338SUB51803 AM02	3600	56,603	0	PT
84.305		5101680 AM01	3600	(395)	0	PT
84.305		A005236402 AM01	3600	72,103	0	PT
84.305		A005945201	3600	123,057	0	PT
84.305		AWD7772723GR205512AM	3600	71,286	0	PT
84.305		GM10155 150694 AM02	3600	15,507	0	PT
84.305		UNIV58665AM02PRIOR34	3600	24,507	0	PT
84.305			3650	142,991	25,461	
84.305		411162670	3650	19,705	0	PT
	Federal Program 84.305 Total			**2,955,858**	**676,718**	
	Office of Educational Research and Improvement Total			**2,955,858**	**676,718**	
84.324	Research in Special Education		3600	711,249	185,598	
84.324		0391600101 MOD02	3600	19,404	0	PT
84.324		250911 MOD01#G1500085	3600	465	0	PT
84.324		250911 MOD02#G1500085	3600	156,275	0	PT

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Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.324	Research in Special Education	UNIV59791	3600	21,419	0	PT
	Federal Program 84.324 Total			**908,812**	**185,598**	
	Office of Special Education and Rehabilitative Ser Total			**908,812**	**185,598**	
84.RD	Department of Education - Unknown CFDA Number	40412S04256 S04	3600	895	0	PT
84.RD		UW662451	3600	3,425	0	PT
	Federal Program 84.RD Total			**4,320**	**0**	
	Education Contract Number Only Provided Total			**4,320**	**0**	
Dept of Education Total				**4,171,665**	**862,316**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.068	Chronic Diseases: Research, Control, and Preventi	5996.UWA.01 AM02	3600	92,407	0	PT
93.068		5996UWA011U01DP006074	3600	17,786	0	PT
	Federal Program 93.068 Total			**110,193**	**0**	
	Centers for Disease Control and Prevention Total			**110,193**	**0**	
93.077	Family Smoking Preventn & Tobacco Cont Reg Resrch		3600	13,465	0	
	Federal Program 93.077 Total			**13,465**	**0**	
	National Institutes of Health Total			**13,465**	**0**	
93.103	Food and Drug Administration_Research		3600	788,846	669,395	
93.103		161104/160341	3600	13,586	0	PT
93.103		163462/162202	3600	13,990	0	PT
93.103		416950GURFAOGR510532	3600	11,948	0	PT
93.103		417130GURFAOGR510683	3600	60,325	0	PT
93.103		M17A12608 (A10947)	3600	18,532	0	PT
93.103			3650	159,573	0	
93.103			4770	4,402	0	
93.103			4950	2,200,777	0	
	Federal Program 93.103 Total			**3,271,979**	**669,395**	
	Food and Drug Administration Total			**3,271,979**	**669,395**	
93.113	Environmental Health		3600	8,061,148	725,554	
93.113		00000910 AM01	3600	37,737	0	PT
93.113		00000910 AM02	3600	4,501	0	PT
93.113		00008559AM05POBB00480	3600	69,283	0	PT
93.113		1001472440 AM03	3600	186,376	0	PT
93.113		1019929 AM04	3600	41,442	0	PT
93.113		2002301818 AM05	3600	205,774	0	PT
93.113		2003249885 AM01	3600	67,822	0	PT
93.113		3RY74 AM01	3600	(682)	0	PT
93.113		3RY74 AM02	3600	22,539	0	PT
93.113		80001140 AM01	3600	187,111	0	PT
93.113		UW634134	3600	(9,682)	0	PT
93.113		UW634383	3600	370,045	0	PT
93.113		UW662065	3600	45,132	0	PT

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.113	Environmental Health	WU-16-168-MOD-3	3600	25,927	0	PT
93.113		WU-18-174	3600	73,130	0	PT
93.113		WU13183MOD5PO2917435	3600	10,875	0	PT
93.113			3650	2,015,327	192,871	
	Federal Program 93.113 Total			**11,413,805**	**918,425**	
93.121	Oral Diseases and Disorders Research		3600	4,370,037	426,583	
93.121		0000917826	3600	20,445	0	PT
93.121		000412838-086	3600	113,379	0	PT
93.121		01029162 AM02	3600	193,841	0	PT
93.121		11399SUB MOD01	3600	7,781	0	PT
93.121		11411SUB MOD02	3600	98,545	0	PT
93.121		11527SUB MOD01	3600	19,908	0	PT
93.121		1350 G SA445 AM03	3600	129,742	0	PT
93.121		1350 G TD145 AM01	3600	26,690	0	PT
93.121		1350 G UB393 AM01	3600	28,781	0	PT
93.121		1350 G VD585	3600	19,571	0	PT
93.121		416624-G AM02	3600	107,449	0	PT
93.121		43408029 AM05	3600	115,854	0	PT
93.121		9648SC AM01	3600	66,043	0	PT
93.121		OOS100254-UW AM7	3600	68,371	0	PT
93.121		RES511283 AM002	3600	34,828	0	PT
93.121		UW-15501-A	3600	47,714	0	PT
93.121		UWPC-15542-C MOD01	3600	64,775	0	PT
	Federal Program 93.121 Total			**5,533,754**	**426,583**	
	National Institutes of Health Total			**16,947,559**	**1,345,008**	
93.135	Centers for Research and Demonstration for Health		3600	2,959,770	600,699	
93.135		5105707	3600	1,989	0	PT
93.135		5U48DP005010027418AM0	3600	(25)	0	PT
93.135		7418 AM02	3600	1,155	0	PT
	Federal Program 93.135 Total			**2,962,889**	**600,699**	
93.136	Injury Prevention and Control Research and State A	153076	3600	273,830	0	PT
93.136		FP00001573_SA001 AM01	3600	23,002	0	PT

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 93.136 Total			**296,832**	**0**	
	Centers for Disease Control and Prevention Total			**3,259,721**	**600,699**	
93.142	Niehs Hazardous Waste Worker Health and Safety Tra	2105 G HB431 AM05	3600	8,211	0	PT
93.142		2105 G TA258 AM01	3600	35,695	0	PT
93.142		2105 G TA258 AM03	3600	181,216	0	PT
93.142		UW675369	3600	6,351	0	PT
93.142		UW675589	3600	76,657	0	PT
93.142		UW675590	3600	124,076	0	PT
	Federal Program 93.142 Total			**432,206**	**0**	
93.143	Niehs Superfund Hazardous Substances_Basic Researc		3600	2,291,880	0	
	Federal Program 93.143 Total			**2,291,880**	**0**	
	National Institutes of Health Total			**2,724,086**	**0**	
93.155	Rural Health Research Centers		3600	643,716	0	
	Federal Program 93.155 Total			**643,716**	**0**	
	Health Resources and Services Administration Total			**643,716**	**0**	
93.172	Human Genome Research		3600	12,436,144	1,721,236	
93.172		00009075 AM02	3600	48,837	0	PT
93.172		2016151695	3600	(91)	0	PT
93.172		2017143412 AM01	3600	455,094	0	PT
93.172		207438 AM06	3600	79,662	0	PT
93.172		4500001599 AM003	3600	1,928	0	PT
93.172		5-53254	3600	65,775	0	PT
93.172		700099-0618-00 AM02	3600	371,390	0	PT
93.172		82210316	3600	622	0	PT
93.172		9936SC AM01	3600	294,365	0	PT
93.172		9936SC AM02	3600	292,087	0	PT
93.172		BD5217911U01HG0093950	3600	38,195	0	PT
93.172		BD521791A5U01HG009395	3600	49,645	0	PT
93.172		OOS100285-UW	3600	356,108	0	PT
93.172		OOS100285-UW AM08	3600	36,848	0	PT
93.172		OSP2017191POWA0066546	3600	66,632	0	PT

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93.172	Human Genome Research	S380938	3600	43,231	0	PT
93.172		TBI	3600	425,562	0	PT
93.172		UAF 18-0067	3600	32,159	0	PT
93.172		UM1-UWASH-2 AM03	3600	89,036	0	PT
93.172		UM1-UWASH-3 AM04	3600	107,483	0	PT
93.172		VUMC57005 AM01	3600	(37,709)	0	PT
93.172		VUMC57005 AM02	3600	376,514	0	PT
93.172		VUMC57005, AM3	3600	28,850	0	PT
93.172		VUMC63906	3600	135,876	0	PT
93.172		WA00540620OSP2017191A	3600	70,508	0	PT
93.172		WU-17-414-MOD-1	3600	77,851	0	PT
93.172		WU-17-446 MOD-1	3600	506,805	0	PT
93.172		WU-18-296 MOD01	3600	110,705	0	PT
	Federal Program 93.172 Total			**16,560,112**	**1,721,236**	
93.173	Research Related to Deafness and Communication DIS		3600	5,725,417	233,694	
93.173		1005685_UWA AM02	3600	7,254	0	PT
93.173		1005685_UWA AM03	3600	373	0	PT
93.173		207FER577	3600	3,500	0	PT
93.173		260885-UW	3600	84,105	0	PT
93.173		R01782 AM03	3600	(498)	0	PT
93.173		SP0034193PROJ0009132A	3600	72,963	0	PT
93.173		UNIV58647 AM03	3600	244,363	0	PT
93.173		WU-18-45-MOD-3 AM03	3600	208,215	0	PT
93.173			3650	536,691	147,769	
	Federal Program 93.173 Total			**6,882,383**	**381,463**	
93.213	Research and Training in Complementary and Alterna		3600	2,844,747	1,029,238	
93.213		2017139717	3600	17,763	0	PT
93.213		P005878802	3600	30,162	0	PT
93.213			3650	1,600,391	885,201	
93.213			3750	45,166	0	
	Federal Program 93.213 Total			**4,538,229**	**1,914,439**	
	National Institutes of Health Total			**27,980,724**	**4,017,138**	

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93.225	National Research Service Awards_Health Services R		3600	458,321	0	
	Federal Program 93.225 Total			**458,321**	**0**	
93.226	Research on Healthcare Costs, Quality and Outcomes		3600	3,336,420	313,364	
93.226		1005779_UWA AM01	3600	14,314	0	PT
93.226		1005779_UWA AM02	3600	1,436	0	PT
93.226		11486SUB	3600	6,448	0	PT
93.226		11681SUB	3600	18,692	0	PT
93.226		2016174387 MOD01	3600	38,305	0	PT
93.226		2017113683 MOD01	3600	133,051	42,527	PT
93.226		2017121187	3600	24,876	0	PT
93.226		5106820 AM02	3600	56,474	0	PT
93.226		AM06	3600	6,714	0	PT
93.226		RNG002678BUDG04UW01	3600	2,478	0	PT
93.226		RNG0026825-BUDG04-02	3600	6,644	0	PT
93.226		UW632030	3600	3,600	0	PT
93.226		WA00474255/OSP2017049	3600	3,684	0	PT
93.226		WA00600402OSP2017049A	3600	53,903	0	PT
93.226			3650	38,626	0	
	Federal Program 93.226 Total			**3,745,665**	**355,891**	
	Agency for Health Care Policy and Research Total			**4,203,986**	**355,891**	
93.233	National Center on Sleep Disorders Research		3600	68,241	0	
93.233		113170 AM04	3600	17,916	0	PT
93.233			3650	309,780	0	
93.233		15002499	3650	(14)	0	PT
93.233		20130078701	3650	9,552	0	PT
93.233		565843	3650	16,370	0	PT
	Federal Program 93.233 Total			**421,845**	**0**	
	National Institutes of Health Total			**421,845**	**0**	
93.239	Policy Research and Evaluation Grants	708K094	3600	70,238	0	PT
93.239		708K094 AM01	3600	25,824	0	PT
	Federal Program 93.239 Total			**96,062**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Office of the Secretary Total			**96,062**	**0**	
93.242	Mental Health Research Grants		3600	21,408,640	1,711,479	
93.242		0000910054	3600	80,816	0	PT
93.242		10118SC AM01	3600	43,929	0	PT
93.242		10955SUB MOD04	3600	156,222	0	PT
93.242		113065-0617-02B MOD2	3600	74,118	0	PT
93.242		12-NIH-1091 AM06	3600	9,467	0	PT
93.242		1580 G VA719	3600	9,975	0	PT
93.242		16-3015 AM03	3600	1,182	0	PT
93.242		2000 G UC645 AM02	3600	6,224	0	PT
93.242		201121762-03 AM07	3600	441,402	0	PT
93.242		2015-3228 AM03	3600	8,990	0	PT
93.242		203-6521	3600	165,362	0	PT
93.242		223004 B.01 AM02	3600	47,442	0	PT
93.242		227381AM031R01MH10930	3600	127,491	0	PT
93.242		227997 AM06	3600	20,158	0	PT
93.242		568643 AM01	3600	21,602	0	PT
93.242		67277131 AM003	3600	134,098	0	PT
93.242		7945SC AM04	3600	48,133	0	PT
93.242		8925SC AM02	3600	73,798	0	PT
93.242		97774168	3600	10,945	0	PT
93.242		A130027S00220112176203	3600	16,062	0	PT
93.242		GR100245CON80000779A	3600	714,829	0	PT
93.242		GR101117CON80001061A	3600	12,558	0	PT
93.242		M16A12223A10703AM02	3600	(1,623)	0	PT
93.242		MH106510-UW MOD01	3600	47,146	0	PT
93.242		NIH-3P-UW-02 MOD 03	3600	130,240	5,117	PT
93.242		NIH-3P-UW-02 MOD02	3600	8,050	1,258	PT
93.242		PO#GENFD0001282071	3600	17,796	0	PT
93.242		R752 AM02	3600	130,920	0	PT
93.242		R939 AM01	3600	5,611	0	PT
93.242		T570202 (T453149) AM05	3600	(7,340)	0	PT
93.242		T668138 AM04	3600	966	0	PT
93.242		T668138 AM05	3600	122,266	0	PT
93.242		T740482 AM01	3600	23,071	0	PT

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.242	Mental Health Research Grants	T829681 (T570202) AM06	3600	252,649	210,123	PT
93.242		UFDSP00011760	3600	(26,771)	0	PT
93.242		UFDSP00011760 AM01	3600	59,302	0	PT
93.242		UFDSP00011984	3600	51,904	0	PT
93.242		UKZN UI19 2017 1	3600	97,934	0	PT
93.242		UW662103	3600	42,999	0	PT
93.242		UW662422	3600	6,258	0	PT
93.242		UW662424	3600	29,827	0	PT
93.242		WU-12-281-MOD-7 AM07	3600	669	0	PT
93.242			3650	943,338	465,578	
93.242		FY18001018	3650	95,456	0	PT
	Federal Program 93.242 Total			**25,664,111**	**2,393,555**	
	National Institutes of Health Total			**25,664,111**	**2,393,555**	
93.262	Occupational Safety and Health Program		2350	780,674	0	
93.262			3600	4,185,465	391,074	
93.262		1008844_UWA	3600	25,525	0	PT
93.262		1008844_UWA AM01	3600	106,398	0	PT
93.262		16-2-PS	3600	7,483	7,483	PT
93.262			3650	150,425	0	
93.262		1270491	3650	13,687	0	PT
93.262		300180309	3650	6,746	0	PT
93.262		3001-612-01	3700	213,359	132,644	PT
	Federal Program 93.262 Total			**5,489,762**	**531,201**	
	Centers for Disease Control and Prevention Total			**5,489,762**	**531,201**	
93.272	Alcohol National Research Service Awards for Resea		3600	1,940	0	
	Federal Program 93.272 Total			**1,940**	**0**	
93.273	Alcohol Research Programs		3600	7,764,110	879,969	
93.273		000512064-001	3600	103,642	0	PT
93.273		000512064-001 AM01	3600	107,170	0	PT
93.273		1002432_UWA AM04	3600	34,866	0	PT
93.273		11511SUB	3600	7,171	0	PT
93.273		18-311	3600	100,842	0	PT
93.273		2017142861	3600	3,709	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.273	Alcohol Research Programs	2017625772PRIME5R21AA	3600	3,757	0	PT
93.273		5569	3600	3,305	0	PT
93.273		5K24AA022128-UW AM02	3600	4,636	0	PT
93.273		6125 PO#579852	3600	28,120	0	PT
93.273		69951-10233 AM04	3600	60,200	0	PT
93.273		7017137290-1	3600	12,543	0	PT
93.273		806K374	3600	21,541	0	PT
93.273		9132-8389 AM02	3600	119,728	0	PT
93.273		BMC ID# 6205	3600	28,556	0	PT
93.273		GR101364AMEND1CON80	3600	9,003	0	PT
93.273		M17A12574(A10923)	3600	1,801	0	PT
93.273		R-12-0031 AM07	3600	13,394	0	PT
93.273		RF00120-2018-0149	3600	30,834	0	PT
93.273		RF00121-2018-0166 AM01	3600	55,514	0	PT
93.273		RF00123-2018-0189 AM 1	3600	49,634	0	PT
93.273		T814971	3600	78,049	0	PT
93.273		T969838AM15U01AA02610	3600	9,988	0	PT
93.273			3650	1,965,960	621,173	
93.273		1002567WSU	3650	165,296	0	PT
93.273		10532SC	3650	15,456	0	PT
	Federal Program 93.273 Total			**10,798,825**	**1,501,142**	
93.279	Drug Abuse and Addiction Research Programs	B02D50	3000	4,314	0	PT
93.279		B06S70	3000	59,681	0	PT
93.279		B0XB60	3000	16,256	0	PT
93.279			3600	12,948,841	907,187	
93.279		00001	3600	42,485	0	PT
93.279		00001143	3600	45,671	0	PT
93.279		0000909950	3600	170,114	0	PT
93.279		0000916631 AM01	3600	57,454	0	PT
93.279		1011286_UWA	3600	8,511	0	PT
93.279		1200542AM06POSR000021	3600	641	0	PT
93.279		2017143416	3600	11,308	0	PT
93.279		274008-UW AM01	3600	(12)	0	PT
93.279		4457 AM04	3600	61,428	0	PT
93.279		4472 AM03	3600	12,354	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.279	Drug Abuse and Addiction Research Programs	61875882AM055P01DA035	3600	157,740	0	PT
93.279		97015-B AM01	3600	10,991	0	PT
93.279		PRIME1R01DA04212401A1	3600	34,760	0	PT
93.279		PRIME1R44DA04405301	3600	60,606	0	PT
93.279		R1008565 AM02	3600	38,718	0	PT
93.279		R908941 AM03	3600	18,036	0	PT
93.279		T8553211R01DA04561201	3600	30,813	0	PT
93.279			3650	1,926,371	743,572	
93.279		011130003	3650	25,101	0	PT
93.279		13400212645	3650	174,978	0	PT
93.279		5034602	3650	45,148	0	PT
93.279			3800	54,622	0	
	Federal Program 93.279 Total			**16,016,930**	**1,650,759**	
93.282	Mental Health National Research Service Awards for		3600	2,699	0	
	Federal Program 93.282 Total			**2,699**	**0**	
	National Institutes of Health Total			**26,820,394**	**3,151,901**	
93.283	Centers for Disease Control and Prevention_Investi	UW633821	3600	92,306	31,131	PT
93.283		UW633822	3600	22,230	0	PT
	Federal Program 93.283 Total			**114,536**	**31,131**	
	Centers for Disease Control and Prevention Total			**114,536**	**31,131**	
93.286	Discovery and Applied Research for Technological I		3600	5,647,052	368,092	
93.286		UTA17-000891	3600	22,853	0	PT
93.286			3650	600,834	0	
	Federal Program 93.286 Total			**6,270,739**	**368,092**	
93.307	Minority Health and Health Disparities Research		3600	1,502,690	179,396	
93.307		1(GG011834-02) AM02	3600	70,575	0	PT
93.307		1(GG011834-04) AM04	3600	22,284	0	PT
93.307		227351 AM03	3600	11,397	0	PT
93.307		227351 AM04	3600	2,868	0	PT

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.307	Minority Health and Health Disparities Research	5109073	3600	13,252	0	PT
93.307		5109076 AM01	3600	70,554	0	PT
93.307		N004207301 AM04	3600	4,896	0	PT
93.307		OSP2017201 AM01	3600	29,905	0	PT
93.307		SR-2016-13	3600	2,805	2,635	PT
93.307			3650	1,889,720	858,627	
93.307		2017033	3650	27,501	0	PT
	Federal Program 93.307 Total			**3,648,447**	**1,040,658**	
93.310	Trans-NIH Research Support		3600	9,093,023	1,752,260	
93.310		15-A1-00-002912-01	3600	16,191	0	PT
93.310		311117	3600	16,545	0	PT
93.310		311196 AM01	3600	48,419	0	PT
93.310		4102-77445 AM01	3600	43,932	0	PT
93.310		56102235500000695AM06	3600	(9,261)	0	PT
93.310		56102245500000695AM07	3600	174,247	0	PT
93.310		6366-S01 MOD02	3600	22,718	0	PT
93.310		6366-SO1 MOD03	3600	75,690	0	PT
93.310		800059	3600	31,425	0	PT
93.310		800060	3600	24,230	0	PT
93.310		800109 AM02	3600	80,090	0	PT
93.310		800110 AM02	3600	54,934	0	PT
93.310			3650	54,511	0	
	Federal Program 93.310 Total			**9,726,694**	**1,752,260**	
93.350	National Center for Advancing Translational Scienc		3600	14,508,757	2,938,221	
93.350		1011902_UWA	3600	360,134	0	PT
93.350		16-A0-00-007000-01	3600	41,637	0	PT
93.350		NOR0002 AM01	3600	16,124	0	PT
	Federal Program 93.350 Total			**14,926,652**	**2,938,221**	
93.351	Research Infrastructure Programs		3600	21,670,116	121,653	
93.351		1008419_UWA AM1	3600	31,840	0	PT
93.351		1008419UWA1R24OD02132	3600	(1)	0	PT
93.351		3200000583-16-239 AM02	3600	31,556	0	PT
93.351		T425277	3600	(131,071)	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.351	Research Infrastructure Programs		3650	52,976	0	
	Federal Program 93.351 Total			**21,655,416**	**121,653**	
93.352	Construction Support		3600	(949,645)	0	
	Federal Program 93.352 Total			**(949,645)**	**0**	
93.361	Nursing Research		3600	2,636,873	315,963	
93.361		1215008 AM08	3600	(1,338)	0	PT
93.361		2016-158	3600	17,997	0	PT
93.361		2035919	3600	(911)	0	PT
93.361		2035922	3600	66	0	PT
93.361		2036531	3600	11,730	0	PT
93.361		2036534	3600	16,525	0	PT
93.361		3RZ32 AM02	3600	110,317	0	PT
93.361		5106244 AM01	3600	174,191	0	PT
93.361			3650	175,236	0	
93.361		5106247	3650	12,417	0	PT
	Federal Program 93.361 Total			**3,153,103**	**315,963**	
93.393	Cancer Cause and Prevention Research		3600	10,708,688	2,187,317	
93.393		0000843712 AM02	3600	8,955	0	PT
93.393		0000843716 AM02	3600	8,182	0	PT
93.393		0000859538 AM02	3600	12,821	0	PT
93.393		00008792484U01CA182940	3600	18,425	0	PT
93.393		0000879329	3600	4,858	0	PT
93.393		0000879365	3600	10,050	0	PT
93.393		0000879380	3600	6,209	0	PT
93.393		0000879553	3600	6,600	0	PT
93.393		0000879555	3600	3,133	0	PT
93.393		0000879556	3600	2,215	0	PT
93.393		0000888496 AM01	3600	15,757	0	PT
93.393		0000889472 AM01	3600	20,872	0	PT
93.393		0000889841 AM01	3600	505,666	0	PT
93.393		0000890671	3600	4,424	0	PT
93.393		0000902410	3600	264,371	0	PT
93.393		0000904241 AM01	3600	22,878	0	PT
93.393		0000904243	3600	10,490	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.393	Cancer Cause and Prevention Research	0000912225	3600	9,809	0	PT
93.393		0000915889	3600	50,398	0	PT
93.393		0000915891	3600	23,963	0	PT
93.393		0000915893	3600	38,006	0	PT
93.393		0000916112	3600	41,377	0	PT
93.393		0000916357	3600	39,432	0	PT
93.393		00009182101U01CA217883	3600	33,952	0	PT
93.393		0000918479	3600	13,840	0	PT
93.393		0000928697	3600	23,449	0	PT
93.393		0000928782	3600	23,815	0	PT
93.393		0000930106 AM01	3600	187,358	0	PT
93.393		0000936645	3600	2,639	0	PT
93.393		0000938578	3600	5,740	0	PT
93.393		0000938581	3600	5,634	0	PT
93.393		0000938583	3600	3,118	0	PT
93.393		0000938584	3600	7,853	0	PT
93.393		0000938585	3600	833	0	PT
93.393		0000938602	3600	207	0	PT
93.393		0000940775	3600	2,121	0	PT
93.393		0000940776	3600	4,483	0	PT
93.393		10043057-02	3600	20,505	0	PT
93.393		1006132_UWA AM02	3600	242,583	0	PT
93.393		11042SUB MOD04	3600	101,765	0	PT
93.393		116071-5089696 AM03	3600	33,957	0	PT
93.393		116071-5089696 AM06	3600	101,780	0	PT
93.393		1557 G VC172	3600	157,857	0	PT
93.393		16-837 AM04	3600	59,861	0	PT
93.393		17-093 AM02	3600	42,540	0	PT
93.393		201603696-13	3600	71,177	0	PT
93.393		201603696-13, AM1	3600	8,503	0	PT
93.393		226969 AMEND 4	3600	51,038	0	PT
93.393		226969AM025U01CA19933	3600	11,587	0	PT
93.393		321072PO961593RSUBAM	3600	99,415	0	PT
93.393		44956 AM02	3600	12,252	0	PT
93.393		AH000632 AM01	3600	29,564	0	PT
93.393		C00053910-1	3600	57,193	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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93.393	Cancer Cause and Prevention Research	RNG200623-UW-03	3600	30,816	0	PT
93.393			3650	661,173	67,805	
	Federal Program 93.393 Total			**13,946,187**	**2,255,122**	
93.394	Cancer Detection and Diagnosis Research		3600	5,350,737	1,085,143	
93.394		0000869979 AM01	3600	(2,149)	0	PT
93.394		0000889913	3600	5,400	0	PT
93.394		0000899794	3600	19,309	0	PT
93.394		0000904422	3600	128,502	0	PT
93.394		0000905469	3600	99,933	0	PT
93.394		0000906151 AM01	3600	96,211	0	PT
93.394		0000907415 AM01	3600	180,169	0	PT
93.394		0000912268	3600	10,653	0	PT
93.394		0000937268 AM01	3600	4,663	0	PT
93.394		0000939752	3600	55,837	0	PT
93.394		10048SC AM01	3600	57,205	0	PT
93.394		11391SUB	3600	(16)	0	PT
93.394		1557 G VB811	3600	59,084	0	PT
93.394		16122147-03 AM02	3600	7,773	0	PT
93.394		161262/161256 AM01	3600	493	0	PT
93.394		1671, AM03	3600	112,335	0	PT
93.394		1671, AMENDMENT 4	3600	3,731	0	PT
93.394		180357-03 AM03	3600	105,435	0	PT
93.394		569007 AM02	3600	1,774	0	PT
93.394		569007, AM1	3600	13,492	0	PT
93.394		5710004063 AM02	3600	103,649	0	PT
93.394		9770SC AM01	3600	57,208	0	PT
93.394		K001416-00-S01 MOD3	3600	121,613	0	PT
93.394		N002338901 AM5	3600	(3,890)	0	PT
93.394		R44CA221426	3600	36,923	0	PT
93.394		T787676 (T598828) AM01	3600	32,678	0	PT
93.394		W000893975PO1001713589	3600	4,559	0	PT
93.394			3650	90,312	0	
	Federal Program 93.394 Total			**6,753,623**	**1,085,143**	
93.395	Cancer Treatment Research		3600	1,939,775	210,069	
93.395		00008433595U01CA154967	3600	1,784	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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93.395	Cancer Treatment Research	0000843416 AM05	3600	191,345	(83)	PT
93.395		0000854063 AM02	3600	(10,078)	0	PT
93.395		0000857570 AM01	3600	(90,597)	0	PT
93.395		0000859909 AM02	3600	49,409	0	PT
93.395		0000871622 AM02	3600	3,862	0	PT
93.395		0000875225	3600	821	0	PT
93.395		0000878736 AM02	3600	9,275	0	PT
93.395		0000882388	3600	27,008	0	PT
93.395		0000883615	3600	7,841	0	PT
93.395		0000899335	3600	34,507	0	PT
93.395		0000906707	3600	216,033	0	PT
93.395		0000910144 AM01	3600	29,028	0	PT
93.395		0000915994	3600	64,908	0	PT
93.395		0000919075 AM01	3600	13,656	0	PT
93.395		0000926778	3600	185,959	0	PT
93.395		0000933273 AM01	3600	35,721	0	PT
93.395		0000933644	3600	27,364	0	PT
93.395		0000935334	3600	51,470	0	PT
93.395		0000940802	3600	21,440	0	PT
93.395		0307702S01-A02	3600	62,481	0	PT
93.395		0307703S01	3600	1,446	0	PT
93.395		0307703S01	3600	78,637	25,761	PT
93.395		11512SUB MOD01	3600	20,255	0	PT
93.395		11539SUB	3600	12,492	0	PT
93.395		11539SUB MOD02	3600	13,030	0	PT
93.395		11540SUB MOD01	3600	3,183	0	PT
93.395		11572SUB AM02	3600	22,493	0	PT
93.395		2016-01#A113106	3600	65,532	0	PT
93.395		2016.0002 AM01	3600	79,334	0	PT
93.395		600532003607669302AM02	3600	80,785	0	PT
93.395		600532003660669302AM04	3600	5,650	0	PT
93.395		9009627 UWA AM04	3600	24,865	0	PT
93.395		9009627-003_UWA AM02	3600	46,966	0	PT
93.395		9009627-007_UWA	3600	5,000	0	PT
93.395		9009627-011_UWA AM2	3600	63,486	0	PT
93.395		9009627_UWA AM03	3600	67,629	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.395	Cancer Treatment Research	9009627016UWAPRIME3U	3600	3,563	0	PT
93.395		9500080218XXPO962580RS	3600	24,818	0	PT
93.395		FP: 17296_SUB01_06	3600	232,787	0	PT
93.395		PRIME1R43CA22165901	3600	92,079	0	PT
93.395		R01 CA 189163 AM10	3600	1,893	0	PT
93.395		U10CA18082001WASH1A	3600	17,351	0	PT
93.395		U10CA18082001WASH2A	3600	9,999	0	PT
93.395		U10CA18082002WASH3A	3600	5,826	0	PT
93.395		U10CA18082002WASH3A	3600	3,388	0	PT
93.395		UNI-198769-05 AM06	3600	17,280	0	PT
93.395		UNI19876902AM04PO6512	3600	55,202	0	PT
93.395		UOFWASHYR1AMKOHYR	3600	7,000	0	PT
93.395		UW662152	3600	30,000	0	PT
93.395			3650	210,164	74,683	
93.395		11515SUB	3650	114,727	0	PT
	Federal Program 93.395 Total			**4,289,872**	**310,430**	
93.396	Cancer Biology Research		3600	2,181,623	214,617	
93.396		0000896527 AM01	3600	13,750	0	PT
93.396		0000924194	3600	9,551	0	PT
93.396		01029660 AM4	3600	201,044	0	PT
93.396		01029664 AM05	3600	180,106	0	PT
93.396		378116	3600	24,267	0	PT
93.396		WA00612953RFS2016027A	3600	40,885	0	PT
93.396			3650	140,727	0	
	Federal Program 93.396 Total			**2,791,953**	**214,617**	
93.397	Cancer Centers Support Grants	0000782902 AM03	3600	231	0	PT
93.397		0000861670 AM03	3600	56,522	0	PT
93.397		0000869671 AM01	3600	4,280	0	PT
93.397		0000876755	3600	(7,868)	0	PT
93.397		0000877775 AM01	3600	15,311	0	PT
93.397		0000877776	3600	20,334	0	PT
93.397		0000880873	3600	8,636	0	PT
93.397		0000883578	3600	15,602	0	PT
93.397		0000883583 AM01	3600	39,006	0	PT
93.397		0000883594	3600	2,720	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.397	Cancer Centers Support Grants	0000883595 AM01	3600	52,691	0	PT
93.397		0000883601	3600	42,555	0	PT
93.397		0000883609	3600	5,484	0	PT
93.397		0000893888 AM01	3600	2,169	0	PT
93.397		0000894199 AM01	3600	71,001	0	PT
93.397		0000894201 AM02	3600	80,425	0	PT
93.397		0000894202 AM01	3600	63,447	0	PT
93.397		0000894205 AM01	3600	22,093	0	PT
93.397		0000894206 AM01	3600	14,518	0	PT
93.397		0000894470 AM01	3600	103,688	0	PT
93.397		0000894471 AM01	3600	241,660	0	PT
93.397		0000899715	3600	3,880	0	PT
93.397		00008997275P30CA015704	3600	38,121	0	PT
93.397		0000899728	3600	26,025	0	PT
93.397		0000899729	3600	22,212	0	PT
93.397		0000899744	3600	54,113	0	PT
93.397		0000899773	3600	8,239	0	PT
93.397		0000899858	3600	48,081	0	PT
93.397		0000899887	3600	19,994	0	PT
93.397		0000899901	3600	11,353	0	PT
93.397		0000899961	3600	3,962	0	PT
93.397		0000900076	3600	210,985	0	PT
93.397		0000900077	3600	15,921	0	PT
93.397		0000900091	3600	7,868	0	PT
93.397		0000900191	3600	4,723	0	PT
93.397		0000900195	3600	13,263	0	PT
93.397		0000900210	3600	57,432	0	PT
93.397		0000900345 AM01	3600	12,933	0	PT
93.397		0000901262	3600	(17,112)	0	PT
93.397		0000901302	3600	24,626	0	PT
93.397		0000902442	3600	16,307	0	PT
93.397		0000902472	3600	6,811	0	PT
93.397		0000902884	3600	10,173	0	PT
93.397		0000903038	3600	8,331	0	PT
93.397		0000903039	3600	55	0	PT
93.397		0000903481	3600	8,955	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.397	Cancer Centers Support Grants	00009053775P30CA015704	3600	10,408	0	PT
93.397		0000905473	3600	1,383	0	PT
93.397		0000905478	3600	121,809	0	PT
93.397		0000905937	3600	46,551	17,460	PT
93.397		0000906601	3600	13,414	0	PT
93.397		0000908798 AM02	3600	18,016	0	PT
93.397		0000913604	3600	31,009	0	PT
93.397		0000913605	3600	57,197	0	PT
93.397		0000917017	3600	41,129	0	PT
93.397		0000917643	3600	126,650	0	PT
93.397		0000917652	3600	65,554	0	PT
93.397		0000923895	3600	38,182	0	PT
93.397		0000923896	3600	219,097	0	PT
93.397		00009239095P50CA097186	3600	52,223	0	PT
93.397		0000923910	3600	15,088	0	PT
93.397		0000923911 AM01	3600	112,355	0	PT
93.397		0000928112 AM01	3600	14,298	0	PT
93.397		0000928113	3600	176,510	0	PT
93.397		0000928114 AM1	3600	63,283	0	PT
93.397		0000928115 AM1	3600	53,981	0	PT
93.397		0000928116	3600	252,103	0	PT
93.397		0000930664 AM01	3600	29,687	0	PT
93.397		0000938754	3600	1,142	0	PT
93.397		0000938900	3600	16,178	0	PT
93.397		0000938954	3600	48,512	0	PT
93.397		0000939738	3600	5,016	0	PT
93.397		0000939750	3600	9,425	0	PT
93.397		0000939753	3600	65,440	0	PT
93.397		0000939761	3600	8,301	0	PT
93.397		0000939771	3600	2,229	0	PT
93.397		0000939828	3600	448,652	0	PT
93.397		0000940822	3600	27,482	0	PT
93.397		3004530355	3600	13,597	0	PT
93.397		3004538756	3600	131,984	0	PT
93.397		3004892313	3600	13,597	0	PT
93.397			3650	112,418	12,308	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 93.397 Total			**3,935,656**	**29,768**	
93.398	Cancer Research Manpower		3600	2,266,784	40,431	
	Federal Program 93.398 Total			**2,266,784**	**40,431**	
93.399	Cancer Control		3600	4,960	4,960	
93.399		PRIME1R41CA21745201A1	3600	53,993	0	PT
	Federal Program 93.399 Total			**58,953**	**4,960**	
	National Institutes of Health Total			**92,474,434**	**10,477,318**	
93.564	Child Support Enforcement Research		3000	808,368	0	
	Federal Program 93.564 Total			**808,368**	**0**	
	Administration for Children and Families Total			**808,368**	**0**	
93.610	Health Care Innovation Awards (Hcia)	UW669370	3600	69,836	0	PT
	Federal Program 93.610 Total			**69,836**	**0**	
	Centers for Medicare and Medicaid Services Total			**69,836**	**0**	
93.647	Social Services Research and Demonstration		3600	181,340	0	
	Federal Program 93.647 Total			**181,340**	**0**	
	Administration for Children and Families Total			**181,340**	**0**	
93.837	Cardiovascular Diseases Research		3600	41,683,676	9,928,046	
93.837		0000872675 AM01	3600	24,842	0	PT
93.837		000508553-001 AM#A02	3600	7,247	0	PT
93.837		000509971-001 AM A04	3600	118,725	0	PT
93.837		000512650-001 AM01	3600	25,518	0	PT
93.837		000512650-001 AM02	3600	8,059	0	PT
93.837		001501 AM04	3600	15,274	0	PT
93.837		00319741246181AM03	3600	34,775	0	PT
93.837		00504701273911AM02	3600	198,248	0	PT
93.837		00530321289961AM01	3600	40,019	0	PT
93.837		0255-7514-4609	3600	47,685	0	PT
93.837		0255-7885-4609 AM3	3600	112,721	0	PT
93.837		080-18007-S27801	3600	200,463	0	PT
93.837		1(GG010998-05) AM03	3600	72,656	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.837	Cardiovascular Diseases Research	1005697_UW AM03	3600	47,402	0	PT
93.837		101330A AM04	3600	12,457	0	PT
93.837		1120420207708024AMEND	3600	9	0	PT
93.837		112042030-7767142 AM03	3600	133,115	0	PT
93.837		11351SUB M05	3600	10,142	0	PT
93.837		11351SUB MOD03	3600	211,892	0	PT
93.837		1373766	3600	29,622	0	PT
93.837		16993	3600	7,352	0	PT
93.837		177494/218214/226028	3600	39,398	0	PT
93.837		2011D000881	3600	(8,402)	0	PT
93.837		203-8487 AM01	3600	128,363	0	PT
93.837		3(GG011046-03)	3600	70,197	0	PT
93.837		3200000735-17-036 AM02	3600	7,289	0	PT
93.837		3610650473002AM03P0309	3600	10,273	0	PT
93.837		38220755-0319A AM004	3600	46,687	0	PT
93.837		60043933 UW AM A01	3600	25,865	0	PT
93.837		60054856 AM01	3600	350	0	PT
93.837		60054857/PO#RF01467282	3600	(718)	0	PT
93.837		60059645	3600	20,102	0	PT
93.837		60059645 AM02	3600	53,608	0	PT
93.837		60059645 AM2	3600	238,998	0	PT
93.837		693420000101037843AM03	3600	29,162	0	PT
93.837		7738SC AM07	3600	148,287	0	PT
93.837		827-UW-2017 AM03	3600	11,605	0	PT
93.837		9102SC AM02	3600	184,220	0	PT
93.837		9648SC	3600	2,559	0	PT
93.837		HH4010 AM01	3600	24,288	0	PT
93.837		HH4023 AM03	3600	36,427	0	PT
93.837		HH5920 AM01	3600	63,318	0	PT
93.837		M14A11810(A09626) AM04	3600	144,910	0	PT
93.837		M17A12470(A11073) AM01	3600	93,526	0	PT
93.837		OOS030150-UOW-02 AM03	3600	224,705	0	PT
93.837		P005875701	3600	24,203	0	PT
93.837		P005875701, AM1	3600	7,974	0	PT
93.837		PS#224978 MOD05	3600	22,866	0	PT
93.837		R44HL127543-03	3600	190,498	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.837	Cardiovascular Diseases Research	SBIR NOVUSON	3600	4,670	0	PT
93.837		SPS162060SITE070AM04	3600	471	0	PT
93.837		UW OSP #A108938	3600	(2,146)	0	PT
93.837		UW669766	3600	8,718	0	PT
93.837		VUMC 59443 AM2	3600	26,229	0	PT
93.837		VUMC 59733	3600	21,809	0	PT
93.837		VUMC 59733 AMEND 1	3600	252,455	0	PT
93.837		VUMC 59733 AMEND 2	3600	681,103	0	PT
93.837		W000965540	3600	37,044	0	PT
93.837		WFUHS 114488, AM02	3600	140,428	0	PT
93.837		WFUHS 114798 AM04	3600	20,632	0	PT
93.837		WFUHS 116827	3600	30,874	0	PT
93.837		WFUHS 116828 AM01	3600	30,759	0	PT
93.837		WU-17-310-MOD-2	3600	67,744	0	PT
93.837			3650	1,766,787	872,051	
93.837		3011860	3650	35,094	0	PT
93.837		RS2012229608	3650	(227)	0	PT
93.837		RS2012229612	3650	20,961	3,123	PT
	Federal Program 93.837 Total			**48,025,862**	**10,803,220**	
93.838	Lung Diseases Research		3600	6,017,419	918,063	
93.838		0035200 (128136-3)	3600	80	0	PT
93.838		0035200 (129907-3)	3600	62,247	0	PT
93.838		0041577 AM02	3600	88,055	0	PT
93.838		1(GG007619-04) AM03	3600	66,420	0	PT
93.838		1090409-334683 AM03	3600	33,271	0	PT
93.838		11659SUB	3600	29,312	0	PT
93.838		2(GG007668-01) AM01	3600	1,941	0	PT
93.838		2(GG011662)	3600	4,646	0	PT
93.838		2(GG012782) AM01	3600	80,943	0	PT
93.838		229886 MOD04	3600	343,180	216,452	PT
93.838		229960 MOD01	3600	7,855	0	PT
93.838		31438-01-004SUB-0005	3600	15,193	0	PT
93.838		3143801004SUB0005AM01	3600	43,811	0	PT
93.838		4(GG010919-02) AM01	3600	1,693	0	PT
93.838		4(GG010919-03) AM03	3600	52,666	0	PT

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93.838	Lung Diseases Research	49854772 AM03	3600	137,376	0	PT
93.838		8893SC AM03	3600	125,422	0	PT
93.838		MOD03PRIME5U01HL1230	3600	532,251	374,208	PT
93.838		W000965943	3600	87,138	0	PT
	Federal Program 93.838 Total			**7,730,919**	**1,508,723**	
93.839	Blood Diseases and Resources Research		3600	7,365,532	1,272,680	
93.839		0000846587 AM03	3600	13,059	0	PT
93.839		0000866878 AM01	3600	(12,269)	0	PT
93.839		0000879169	3600	(56)	0	PT
93.839		0000895631	3600	62,130	0	PT
93.839		0000902951	3600	11,323	0	PT
93.839		0000916288	3600	178,641	0	PT
93.839		0000918508	3600	227,942	0	PT
93.839		0000929254	3600	277,859	0	PT
93.839		000502659-001 AM# A03	3600	49,402	0	PT
93.839		0013267D	3600	23,173	0	PT
93.839		11288SUB MOD03	3600	71,310	0	PT
93.839		113440 AM03	3600	49,111	0	PT
93.839		11577SUB MOD02	3600	127,843	0	PT
93.839		417287GURFAOGR510757	3600	14,043	0	PT
93.839		75103107 AM02	3600	136,758	0	PT
93.839		75103107 AM03	3600	72,110	0	PT
93.839		802-UW-2017 AM04	3600	106,056	0	PT
93.839		FP066598-D	3600	2,540	0	PT
93.839		FY18.878.004	3600	44,556	0	PT
93.839		FY18.878.004 AM01	3600	12,205	0	PT
93.839		UW-15014-B MOD01	3600	(4,319)	0	PT
93.839		UW-15014-C	3600	128,106	0	PT
93.839		UW634828	3600	52,975	0	PT
93.839			3800	97,028	0	
	Federal Program 93.839 Total			**9,107,058**	**1,272,680**	
93.846	Arthritis, Musculoskeletal and Skin Diseases Resea		3600	8,823,155	816,373	
93.846		1R01AR064066 MOD01	3600	720	0	PT
93.846		90077	3600	25,833	0	PT

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93.846	Arthritis, Musculoskeletal and Skin Diseases Resea		3650	1,149,019	102,038	
	Federal Program 93.846 Total			**9,998,727**	**918,411**	
93.847	Diabetes, Digestive, and Kidney Diseases Extramura		3600	26,126,572	3,739,859	
93.847		00001054 AM01	3600	32,727	0	PT
93.847		0000892712	3600	4,225	0	PT
93.847		0000892720	3600	2,628	0	PT
93.847		00009180981RC2DK114777	3600	191,647	0	PT
93.847		0000932046	3600	1,262	0	PT
93.847		0000932072	3600	1,570	0	PT
93.847		0047227 (129378-3)	3600	63,910	0	PT
93.847		0047227 (129378-4)	3600	760,131	0	PT
93.847		00472271274941AM01	3600	1,326	0	PT
93.847		0255-7481-4609 AM03	3600	(20,368)	0	PT
93.847		0255-7481-4609 AM04	3600	172,898	8,415	PT
93.847		0255-7513-4609 AM03	3600	(2,496)	0	PT
93.847		08786003-316585 AM04	3600	1,068	0	PT
93.847		100069 AM01	3600	189,116	9,831	PT
93.847		1004965_UWA AM02	3600	4	0	PT
93.847		1004965UWA AM 4	3600	42,146	0	PT
93.847		1004965UWAMARCOVINA	3600	11,257	0	PT
93.847		10309SCAM011R21DK1142	3600	67,964	0	PT
93.847		10321SC	3600	10,187	0	PT
93.847		11096SUB MOD 2	3600	10,999	0	PT
93.847		11096SUB MOD03	3600	143,245	0	PT
93.847		11097SUB	3600	7,121	0	PT
93.847		11097SUB MOD03	3600	135,148	0	PT
93.847		111345 AM03	3600	7,007	0	PT
93.847		11334SUB MOD02	3600	24,596	0	PT
93.847		11481SUB	3600	29	0	PT
93.847		11648SUB	3600	824,619	0	PT
93.847		11648SUB MOD01	3600	92,705	0	PT
93.847		137645	3600	(25,163)	0	PT
93.847		14-D17	3600	3,562	0	PT
93.847		15D17AM025U01DK061230	3600	295,569	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.847	Diabetes, Digestive, and Kidney Diseases Extramura	16-924 AM03	3600	18,480	0	PT
93.847		1987203-15 AM05	3600	3,461	0	PT
93.847		1987203-15 AM05	3600	43,137	27,425	PT
93.847		1987203-15 AM07	3600	18,588	0	PT
93.847		2014-3113 AM03	3600	116,615	0	PT
93.847		201701549-01	3600	18,054	0	PT
93.847		2018103409	3600	129,069	0	PT
93.847		206423 AM01	3600	10,923	0	PT
93.847		224804AM035R01DK10149	3600	51,595	0	PT
93.847		226142 AM05	3600	7,228	0	PT
93.847		226142 AM4	3600	26,567	0	PT
93.847		3003481941 AM02	3600	2,086	0	PT
93.847		3004111805 AM02	3600	18,031	0	PT
93.847		30835-28 AM01	3600	4,078	0	PT
93.847		310859AM03POP0549427	3600	(36)	0	PT
93.847		310859AMEND5PO616755	3600	22,138	0	PT
93.847		310859AMEND6PO661001	3600	124,099	0	PT
93.847		32307-3	3600	29,750	0	PT
93.847		32307-6	3600	32,094	0	PT
93.847		38947675 AM006	3600	292,616	0	PT
93.847		5007632-SERV AM05	3600	3,127	0	PT
93.847		5013848-SERV	3600	1,614	0	PT
93.847		5013848-SERV AM01	3600	25,147	0	PT
93.847		5033711 AM02	3600	15,845	0	PT
93.847		5034378AM035U01DK0922	3600	4	0	PT
93.847		5216282-5500000979	3600	18,659	0	PT
93.847		569145 AM03	3600	(11,356)	0	PT
93.847		571765 AMEND 4	3600	9,200	0	PT
93.847		600103 C.04	3600	13,356	0	PT
93.847		6163-1007-00-AM	3600	26,313	0	PT
93.847		6163-1008-00-AD	3600	148,378	0	PT
93.847		6163-1017-00-AM, MOD03	3600	30,696	0	PT
93.847		6163-1051-00-AD	3600	97,906	0	PT
93.847		6163100800ZUC4DK106993	3600	657,589	0	PT
93.847		650002 A.01 AM01	3600	(140)	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.847	Diabetes, Digestive, and Kidney Diseases Extramura	709-SUB AM02	3600	441	0	PT
93.847		778-SUB	3600	1,186	941	PT
93.847		793K995	3600	10,945	0	PT
93.847		8002SC AM05	3600	104,186	0	PT
93.847		8379SC AM02	3600	1,324	0	PT
93.847		8379SCAM055R01DK09823	3600	13,045	0	PT
93.847		862 SUB AM03	3600	105,426	0	PT
93.847		9456SC AM01	3600	15,421	0	PT
93.847		974-SUB	3600	14,498	0	PT
93.847		9996SC	3600	34,763	0	PT
93.847		A92614	3600	13,402	0	PT
93.847		CS113409_UOW AM02	3600	46,523	0	PT
93.847		DK114196-01-UW	3600	27,128	0	PT
93.847		FY18.896.006	3600	41,124	0	PT
93.847		FY18.896.006 AM01	3600	57,704	0	PT
93.847		GENFD0001169476 AM01	3600	25,506	0	PT
93.847		GENFD0001337145 AM02	3600	384,083	0	PT
93.847		GMO 161129 AM02	3600	52,880	0	PT
93.847		GMO-160218 AM01	3600	(252)	0	PT
93.847		GMO-161129 AM01	3600	12,742	0	PT
93.847		GMO-170915	3600	(252)	0	PT
93.847		KS141-UW-6 AM01	3600	338,505	0	PT
93.847		KS16LOVATC7SIBCR	3600	3,783	0	PT
93.847		M15A11842 AM02	3600	13,426	0	PT
93.847		M17A12561(A10910)	3600	4,626	0	PT
93.847		M17A12561CON8000591A	3600	25,941	0	PT
93.847		N006254903 AM01	3600	12,681	0	PT
93.847		RES508618 AM04	3600	1,140	0	PT
93.847		RES509454 AM03	3600	55,102	0	PT
93.847		RES509472 AM03	3600	23,482	0	PT
93.847		RES511127 AM02	3600	479	0	PT
93.847		RES511909 AM02	3600	23,206	0	PT
93.847		RES512226	3600	267,538	0	PT
93.847		RES512556	3600	27,388	0	PT
93.847		RES512841 AM1	3600	304	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.847	Diabetes, Digestive, and Kidney Diseases Extramura	RES512873	3600	50,377	0	PT
93.847		S-DPP-1718-JC02	3600	309,828	0	PT
93.847		S-DPP-1819-JC02	3600	233,908	0	PT
93.847		SONOMOTIONSBIRAGRE	3600	5,276	0	PT
93.847		UW OSP #A106137	3600	65,281	0	PT
93.847		UW632488	3600	132,884	0	PT
93.847		UW638097	3600	96,418	0	PT
93.847		UW661542	3600	4,925	0	PT
93.847		UW662485	3600	9,681	0	PT
93.847		VUMC42466 AM001	3600	(7,603)	0	PT
93.847		VUMC42466 AMEND 2	3600	204,331	0	PT
93.847		VUMC60682	3600	32,455	0	PT
93.847		W000649521PO1001385931	3600	712	0	PT
93.847		WFUHS 114580 AM03	3600	185,722	0	PT
93.847		WFUHS 118239 AM02	3600	88,887	0	PT
93.847		WFUHS 118258 AM01	3600	112,247	0	PT
93.847		WU-15-112-MOD-3 AM03	3600	(14)	0	PT
93.847			3650	1,727,720	540,003	
93.847		FY17001016	3650	10,472	0	PT
93.847		R01DK108765S001	3650	195,859	0	PT
93.847		RGF010786A	3650	6,390	0	PT
	Federal Program 93.847 Total			**36,407,302**	**4,326,474**	
93.853	Extramural Research Programs in the Neurosciences		3600	18,367,502	1,606,539	
93.853		0010073AAM055R01NS087	3600	43,827	0	PT
93.853		0030451 AM04	3600	(4,383)	0	PT
93.853		00304511285553AM01	3600	114	0	PT
93.853		010085-135574 AM02	3600	123	0	PT
93.853		01029142 AM06	3600	13,662	0	PT
93.853		010785-135574 AM01	3600	4,291	0	PT
93.853		0255-6614-4609 AM07	3600	343,411	0	PT
93.853		1(GG012006-01)	3600	158,088	0	PT
93.853		1(GG012006-02) AM01	3600	9,381	0	PT
93.853		10284SC	3600	5,393	0	PT
93.853		111178-5088518 AM03	3600	54,097	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.853	Extramural Research Programs in the Neurosciences	11360SUB AM01	3600	57,135	0	PT
93.853		11360SUB MOD02	3600	71,381	0	PT
93.853		11480SUB MOD01	3600	107,240	0	PT
93.853		11713SUB	3600	19,920	0	PT
93.853		137754 AM01	3600	3,481	0	PT
93.853		168471PO667K995AM01	3600	5,397	0	PT
93.853		18-3098 UNIVWASH	3600	20,125	0	PT
93.853		18B-1098573	3600	13,853	0	PT
93.853		2003445452 MOD 1	3600	20,731	0	PT
93.853		2017-01#A121200	3600	75,493	0	PT
93.853		21B-1097692 AM01	3600	38,267	0	PT
93.853		21B-1098368	3600	372,102	37,254	PT
93.853		30003963-24	3600	7,620	0	PT
93.853		30003963-54	3600	18,099	0	PT
93.853		4500002301	3600	9,152	0	PT
93.853		4500002484AMEND15UH2	3600	33,481	0	PT
93.853		567147 AM 02	3600	29,154	0	PT
93.853		567147 AM01	3600	7,745	0	PT
93.853		572976	3600	15,754	0	PT
93.853		60043694 UW	3600	(1)	0	PT
93.853		60043694 UW AM01	3600	55,993	0	PT
93.853		61311382-124387 AM01	3600	153	0	PT
93.853		61311382-124387 AM02	3600	53,743	0	PT
93.853		61311385-124387 AM01	3600	29,085	668	PT
93.853		61311385-124387 AM03	3600	241,536	6,617	PT
93.853		7891SC AM01	3600	(30,017)	0	PT
93.853		7891SC AM03	3600	(56,601)	0	PT
93.853		7891SC AM07	3600	(9,966)	0	PT
93.853		7891SC AM08	3600	47,184	0	PT
93.853		7891SC AM09	3600	257,163	0	PT
93.853		7891SC MOD02	3600	(62,883)	0	PT
93.853		9008715_HMC AM05	3600	46,396	0	PT
93.853		9670SC AM03	3600	388,033	0	PT
93.853		AGMT00000766	3600	40,279	0	PT
93.853		BW215SALAMT2SIBCR	3600	41,984	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.853	Extramural Research Programs in the Neurosciences	N004688501 AM02	3600	363	0	PT
93.853		N004688501 AM03	3600	6,773	0	PT
93.853		N004689401 MOD02	3600	894	0	PT
93.853		NS044163UNIVOFWAAM0	3600	47,577	0	PT
93.853		P0033442 AM004	3600	55,866	0	PT
93.853		SA-33842 AM01	3600	17,898	0	PT
93.853		SA15008-UW AM01	3600	62,334	0	PT
93.853		SA15008-UW PO#39073	3600	32,238	0	PT
93.853		SUB0000037 AMO4	3600	102,975	0	PT
93.853		T234837 AM04	3600	134,798	0	PT
93.853		T662120 AM11	3600	30,292	0	PT
93.853		T928260	3600	25,993	0	PT
93.853		U01NS091951-135574 AM3	3600	11,538	0	PT
93.853		UC1LJ16BHS22SIBCR	3600	22,545	0	PT
93.853		UW662736	3600	77,074	0	PT
93.853		WAS-224063	3600	1,449	0	PT
93.853			3650	1,403,325	125,874	
93.853		1005874WSU	3650	39,315	0	PT
93.853		127704001	3650	29,062	0	PT
	Federal Program 93.853 Total			**23,066,026**	**1,776,952**	
93.855	Allergy and Infectious Diseases Research		3600	60,718,424	11,864,009	
93.855		0000841668 AM02	3600	55,275	0	PT
93.855		0000856430 AM01	3600	594	0	PT
93.855		0000870411 AM01	3600	8,343	0	PT
93.855		0000875388	3600	1	0	PT
93.855		0000879582	3600	4,451	0	PT
93.855		0000879635	3600	(77)	0	PT
93.855		0000883691	3600	8,415	0	PT
93.855		0000887425	3600	30,307	0	PT
93.855		0000887549	3600	118,152	0	PT
93.855		0000887601	3600	4,905	0	PT
93.855		0000887685 AM01	3600	29,904	0	PT
93.855		0000887761	3600	6,858	0	PT
93.855		0000887953 AM01	3600	249,112	0	PT
93.855		0000888014	3600	39,064	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.855	Allergy and Infectious Diseases Research	0000888188	3600	148,883	0	PT
93.855		0000888210	3600	207,282	0	PT
93.855		0000888298	3600	12,435	0	PT
93.855		0000888403	3600	125,244	0	PT
93.855		0000888628	3600	10,516	0	PT
93.855		0000890971	3600	4,550	0	PT
93.855		0000891079	3600	54,127	0	PT
93.855		0000891675	3600	291	0	PT
93.855		0000891987	3600	55,995	0	PT
93.855		0000892218	3600	26,654	0	PT
93.855		0000892559	3600	134,533	0	PT
93.855		0000892559 AM02	3600	510,124	0	PT
93.855		0000892600	3600	109,183	0	PT
93.855		0000894739	3600	1,367	0	PT
93.855		0000894741 AM01	3600	102,921	0	PT
93.855		0000894982 AM01	3600	20,912	0	PT
93.855		0000895374 AM01	3600	209,689	0	PT
93.855		0000896023 AM01	3600	228,562	0	PT
93.855		0000898278	3600	24,952	0	PT
93.855		0000900629 AM01	3600	227,433	0	PT
93.855		0000901494	3600	460,048	0	PT
93.855		0000901495	3600	83,537	0	PT
93.855		0000901599	3600	41,110	0	PT
93.855		0000904865	3600	2,517	0	PT
93.855		0000909940	3600	12,057	0	PT
93.855		00009100571R01AI131914	3600	203,391	0	PT
93.855		0000910222	3600	69,139	0	PT
93.855		0000910632 AM01	3600	84,317	0	PT
93.855		0000910639	3600	231,210	0	PT
93.855		0000911463	3600	249,999	0	PT
93.855		0000911466 AM01	3600	304,202	0	PT
93.855		0000911482	3600	45,427	0	PT
93.855		0000911538 AM01	3600	934,830	0	PT
93.855		0000912134	3600	14,234	0	PT
93.855		0000912667	3600	228,741	0	PT
93.855		0000913192	3600	17,586	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.855	Allergy and Infectious Diseases Research	0000917455	3600	90,078	0	PT
93.855		0000924578	3600	384,511	0	PT
93.855		0000924579 AM01	3600	7,866	0	PT
93.855		0000924580 AM01	3600	202,602	0	PT
93.855		0000924811	3600	76,823	0	PT
93.855		0000924908	3600	68,846	0	PT
93.855		0000925409 AM01	3600	37,932	0	PT
93.855		0000925600	3600	337,315	0	PT
93.855		0000925640 AM01	3600	205,507	0	PT
93.855		0000925917 AM01	3600	173,451	0	PT
93.855		0000926261	3600	46,779	0	PT
93.855		0000926262	3600	44,314	0	PT
93.855		0000927247 AM01	3600	164,204	0	PT
93.855		0000927508 AM01	3600	598,416	0	PT
93.855		0000927519	3600	23,995	0	PT
93.855		0000927588	3600	3,084	0	PT
93.855		0000929251 AM01	3600	190,024	0	PT
93.855		0000929253 AM01	3600	32,939	0	PT
93.855		0000929751	3600	907,381	0	PT
93.855		0000931843	3600	61,508	0	PT
93.855		0000933143 AM01	3600	170,256	0	PT
93.855		0000934004	3600	31,536	0	PT
93.855		0000934017	3600	20,322	0	PT
93.855		0000934054 AMEND 1	3600	61,386	0	PT
93.855		0000935316	3600	14,672	0	PT
93.855		0000941137	3600	135,562	0	PT
93.855		0000941451 AM01	3600	72,614	0	PT
93.855		0000943535	3600	253	0	PT
93.855		000421524-002 AM06	3600	28,890	0	PT
93.855		000503356-SP002-016	3600	75,596	0	PT
93.855		000510836-006	3600	43,229	0	PT
93.855		000510836-006 A01	3600	113,208	0	PT
93.855		000510836-006 AM03	3600	596,502	0	PT
93.855		0109805S45	3600	32,808	0	PT
93.855		0121301S01	3600	963	0	PT
93.855		0121301S025U19AI125378	3600	143,842	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.855	Allergy and Infectious Diseases Research	0121402S01-A01	3600	137,387	0	PT
93.855		0121701S02	3600	2,639	0	PT
93.855		0369	3600	77,912	0	PT
93.855		10019SCAM015R01AI0984	3600	30,072	0	PT
93.855		10182SC AMEND 1	3600	7,273	0	PT
93.855		10182SC2U19AI08967408R	3600	24,626	0	PT
93.855		10592SUB MOD07	3600	55,093	7,901	PT
93.855		10972SUB MOD03	3600	33,976	0	PT
93.855		109927 MOD06	3600	127,486	0	PT
93.855		109927MOD09UM1AI10670	3600	204,380	0	PT
93.855		10995SUB MOD07	3600	216,904	0	PT
93.855		110007 AM05	3600	15,995	0	PT
93.855		110208 MOD05	3600	117,554	0	PT
93.855		110238 AM03	3600	(2,560)	0	PT
93.855		11070SUB MOD02	3600	(15,132)	0	PT
93.855		111670 MOD02	3600	61,143	0	PT
93.855		111670 MOD03	3600	76,909	0	PT
93.855		11229SUB MOD02	3600	13,658	0	PT
93.855		11229SUB MOD03	3600	12,874	0	PT
93.855		112668 AM02	3600	(3,029)	0	PT
93.855		112668 AM03	3600	225,351	0	PT
93.855		11415SUB AM01	3600	92,776	0	PT
93.855		11431SUBPR4R01AI100989	3600	251	0	PT
93.855		11576SUB	3600	15,053	0	PT
93.855		11576SUB-MO02	3600	233,279	0	PT
93.855		11645SUB	3600	200,293	0	PT
93.855		11670SUB	3600	93,650	0	PT
93.855		11671SUB	3600	77,109	0	PT
93.855		1559 G TA522 AM04	3600	(8,033)	0	PT
93.855		1559 G TA522 AM06	3600	106,014	0	PT
93.855		16-351 MOD01	3600	4,997	0	PT
93.855		18907	3600	5,359	0	PT
93.855		189925/218470	3600	(1,917)	0	PT
93.855		2002131141 MOD03	3600	(1,988)	0	PT
93.855		2003036376 MOD02	3600	1,215	0	PT
93.855		2003036376 MOD03	3600	492,014	0	PT

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93.855	Allergy and Infectious Diseases Research	201223949-01 AM05	3600	49,241	0	PT
93.855		201303042-08 AM001	3600	113,306	0	PT
93.855		2017-3539	3600	75,031	0	PT
93.855		2037020	3600	14,825	0	PT
93.855		2037025	3600	61,220	0	PT
93.855		22206063 AM02	3600	(1,190)	0	PT
93.855		31103A AM01	3600	22,193	0	PT
93.855		31103F, PO625872	3600	37,247	0	PT
93.855		4680	3600	310,678	0	PT
93.855		4688	3600	15,022	0	PT
93.855		5105098 AM02	3600	94,393	0	PT
93.855		5107081	3600	168,227	0	PT
93.855		5108671 (U19AI100625)	3600	345,382	0	PT
93.855		51U01AI115520-03_UW_Y3	3600	42,037	0	PT
93.855		5636-UW-DHHS-0676	3600	25,870	0	PT
93.855		568523AM015R21AI124868	3600	9,536	0	PT
93.855		569316	3600	(7,487)	0	PT
93.855		569316 AM2	3600	201,595	0	PT
93.855		571209 AM01	3600	10,824	0	PT
93.855		5U01AI11552004UWY4	3600	42,209	0	PT
93.855		5UM1AI106701-04	3600	99,753	0	PT
93.855		60052605 AM04	3600	64,420	0	PT
93.855		60062782	3600	19,636	0	PT
93.855		6610100083	3600	7,494	0	PT
93.855		6610100083 AM03	3600	84,040	0	PT
93.855		694K201 AM001	3600	9,955	0	PT
93.855		73440803 AM002	3600	29,516	0	PT
93.855		762K3115UM1AI11427104	3600	147,663	0	PT
93.855		8327 AM01	3600	133,147	0	PT
93.855		8538 MOD03	3600	129,400	0	PT
93.855		9447	3600	75,327	0	PT
93.855		9493	3600	32,952	0	PT
93.855		9503	3600	50,788	0	PT
93.855		9506SC AM02	3600	26,893	0	PT
93.855		9512 AM01	3600	101,240	0	PT
93.855		9541 AM01	3600	15,490	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.855	Allergy and Infectious Diseases Research	971/0080.0173 AM10	3600	6,707	0	PT
93.855		971/0080.0173 AM11	3600	10,132	0	PT
93.855		A119810	3600	306,510	0	PT
93.855		FY17121702 AM01	3600	95,074	0	PT
93.855		FY17ITN264	3600	11,678	0	PT
93.855		G164-18-W7010	3600	48,661	0	PT
93.855		GMO 130301 AM05	3600	252,953	1,890	PT
93.855		GR700507UW AM02	3600	24,362	0	PT
93.855		GR700507UW AM03	3600	41,119	0	PT
93.855		IDG_UW_02	3600	460,614	0	PT
93.855		LDR 01 MOD 02	3600	14,946	0	PT
93.855		LDR 01 MOD 04	3600	23,660	0	PT
93.855		OSP20180361P01AI132130	3600	146,121	0	PT
93.855		PO# 14-267 AM01	3600	36,235	0	PT
93.855		PO# 14-267 AM05	3600	354,383	0	PT
93.855		PO17001138 AM03	3600	40,945	0	PT
93.855		PRIME# R44AI089290	3600	212,500	0	PT
93.855		RES510939 AM02	3600	550,297	0	PT
93.855		RES511738	3600	118,922	0	PT
93.855		RES5127395U01AI1156420	3600	72,013	0	PT
93.855		SUL1847-02 AM04	3600	118,905	0	PT
93.855		T683917 AM01	3600	19,911	0	PT
93.855		T847388	3600	292,451	0	PT
93.855		UFDSP00010839AM02R21	3600	33,079	0	PT
93.855		UW-19004	3600	43,844	0	PT
93.855		UW662172	3600	176,284	0	PT
93.855			3650	5,518,784	353,571	
93.855		11464SUB	3650	(4,687)	0	PT
93.855		11465SUB	3650	14,256	0	PT
93.855		157717157715	3650	28,227	0	PT
93.855		5106846	3650	260,072	0	PT
93.855		ABK855SB001	3650	807	0	PT
93.855		H004942302	3650	207,867	0	PT
93.855		ULRF17102401	3650	3,683	0	PT
93.855			3760	7,500	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
	Federal Program 93.855 Total			**86,608,211**	**12,227,371**	
93.859	Biomedical Research and Research Training		3600	33,773,041	2,795,690	
93.859		0000872625 AM01	3600	(5,255)	0	PT
93.859		0000874922	3600	(19,948)	0	PT
93.859		0000894875 AM1	3600	42,487	0	PT
93.859		0000910049	3600	120,096	0	PT
93.859		0000910275	3600	164,671	0	PT
93.859		0000918045	3600	53,445	0	PT
93.859		0000927366	3600	29,945	0	PT
93.859		1003716 - WASHINGTON	3600	16,039	0	PT
93.859		10044932-08 AM01	3600	221,450	0	PT
93.859		12_8036_UWASH_02	3600	24,767	0	PT
93.859		12_8036_UWASH_03 AM02	3600	14,321	0	PT
93.859		13-606-UW	3600	11,966	0	PT
93.859		2002735434 AM03	3600	24,906	0	PT
93.859		2002735434 AM04	3600	10,845	0	PT
93.859		2015.0001 AM03	3600	40,793	0	PT
93.859		2016-3369 AM01	3600	77,510	0	PT
93.859		2017-254	3600	68,041	0	PT
93.859		201703197-04 AM02	3600	425,795	0	PT
93.859		20170319705A170013S001	3600	328,488	0	PT
93.859		3002887843 AM04	3600	(1,535)	0	PT
93.859		48299071 AM03	3600	9,971	0	PT
93.859		5103989	3600	(6,435)	0	PT
93.859		5107298 AM02	3600	75,093	0	PT
93.859		A127786	3600	184,461	0	PT
93.859		R0303171	3600	3,425	0	PT
93.859		R44GM123833	3600	4,460	0	PT
93.859		R960652 AM03	3600	128,001	0	PT
93.859		VUMC 55495 AM01	3600	(3,478)	0	PT
93.859		VUMC 55495 AM02	3600	200,029	0	PT
93.859			3650	2,497,346	62,005	
93.859		1R01GM11125401	3650	121,231	0	PT
93.859		257109WSU	3650	220,594	0	PT
93.859		54076616	3650	64,255	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.859	Biomedical Research and Research Training	FY15652002	3650	11,858	0	PT
93.859		WU17182	3650	135,298	0	PT
93.859			3700	64,529	0	
93.859			3800	192,208	0	
	Federal Program 93.859 Total			**39,324,714**	**2,857,695**	
93.865	Child Health and Human Development Extramural Rese		3600	17,787,005	1,722,327	
93.865		0000918229	3600	50,947	0	PT
93.865		000512823-004	3600	11,780	0	PT
93.865		000512823-004 A01	3600	103,335	0	PT
93.865		0019692(125895-2) AM02	3600	1	0	PT
93.865		0048860 (126873-12)	3600	15,335	0	PT
93.865		0051592 (128416-3)AM01	3600	689	0	PT
93.865		0907780101 AM01	3600	71,251	0	PT
93.865		0907780101 AM02	3600	86,801	0	PT
93.865		10893SUB MOD05	3600	28,290	0	PT
93.865		10988SUB MOD04	3600	7,897	0	PT
93.865		11312SUB MOD03	3600	83,680	0	PT
93.865		11348SUB MOD01	3600	30,937	0	PT
93.865		11362SUB MOD3	3600	5,711	0	PT
93.865		114205-1387-5107643	3600	13,162	0	PT
93.865		11614SUB MOD01	3600	104,294	0	PT
93.865		11655SUB	3600	11,027	0	PT
93.865		16-088	3600	480	0	PT
93.865		16707-00	3600	7,736	0	PT
93.865		1920 G RA131 AM04	3600	24,534	0	PT
93.865		1920 G UA066 AM02	3600	123,393	0	PT
93.865		1R41HD09347601AM01PRI	3600	55,249	0	PT
93.865		201224693-05 AM02	3600	133,502	0	PT
93.865		2017139089	3600	77,727	0	PT
93.865		288-01	3600	23,288	0	PT
93.865		3003294837 AM03	3600	179,223	0	PT
93.865		3003879380 AM02	3600	28,460	0	PT
93.865		3004910137	3600	21,279	0	PT
93.865		5104622	3600	(1,926)	0	PT
93.865		5109092	3600	219,052	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.865	Child Health and Human Development Extramural Rese	60060209PTER01HD086227	3600	71,328	0	PT
93.865		7000000288 AM01	3600	294,558	0	PT
93.865		77319-10682 AM01	3600	24,769	0	PT
93.865		773K253	3600	121,423	0	PT
93.865		8703SC AM02	3600	(125)	0	PT
93.865		8703SC AMENDMENT 3	3600	71,672	0	PT
93.865		ACTIVITY3200660619PO96	3600	28,877	0	PT
93.865		KK1602 AM02	3600	8,748	0	PT
93.865		R01 HD 061400-05	3600	7,391	0	PT
93.865		R01991	3600	30,090	0	PT
93.865		RNG200508-2-UW AM02	3600	62,527	0	PT
93.865		S-MFM1617-JB13	3600	43,737	0	PT
93.865		S-MFM1718-JB13	3600	16,551	0	PT
93.865		UW632577	3600	18,536	0	PT
93.865			3650	2,124,871	182,400	
93.865		3453212003009	3650	80,642	0	PT
93.865		3453212003508	3650	14,450	0	PT
93.865		660K155	3650	11,543	0	PT
	Federal Program 93.865 Total			**22,335,727**	**1,904,727**	
93.866	Aging Research		3600	26,718,409	4,158,208	
93.866		00000817 AM02	3600	5,253	0	PT
93.866		00000826 AM02	3600	14,369	0	PT
93.866		00000844 AM03	3600	269,289	0	PT
93.866		00009010535R01AG048209	3600	140,054	0	PT
93.866		0012200 (122381-6)AM05	3600	(1,194)	0	PT
93.866		10041896	3600	46,996	0	PT
93.866		103893218 AM01	3600	8,518	0	PT
93.866		115640 AM03	3600	69,863	0	PT
93.866		1540R22 AM05	3600	42,359	0	PT
93.866		1558 G TA326 AM004	3600	79,437	0	PT
93.866		1558 G VA058	3600	15,000	0	PT
93.866		203-5796 AM01	3600	8,708	0	PT
93.866		3003801558 AM05	3600	334,834	0	PT
93.866		30340SUB52029UOFWASH	3600	126,539	0	PT
93.866		31104C AM01	3600	32,103	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.866	Aging Research	31104C1U19AG05627801	3600	142,620	0	PT
93.866		31594E AM03	3600	(12)	0	PT
93.866		31594G AM04 (PO645932)	3600	6,393	0	PT
93.866		4500001378 AM04	3600	1,956	0	PT
93.866		4500002380 AM004	3600	46,300	0	PT
93.866		4500002537	3600	27,054	0	PT
93.866		5005011-SERV AM05	3600	16,595	0	PT
93.866		571400, AM02	3600	10,988	0	PT
93.866		571400, AM03	3600	38,696	0	PT
93.866		573045	3600	18,155	0	PT
93.866		573992, AM04	3600	11,464	0	PT
93.866		60048330 UW	3600	5,049	0	PT
93.866		60048332 UW	3600	173,285	0	PT
93.866		61271806-124384	3600	(39)	0	PT
93.866		61314414-124531	3600	3,417	0	PT
93.866		61314414-124531 AM02	3600	455,038	0	PT
93.866		61344876-124384	3600	(1)	0	PT
93.866		61627910-128473	3600	11,886	0	PT
93.866		800084-B	3600	31,163	0	PT
93.866		9499SC AM01	3600	8,721	0	PT
93.866		96327478	3600	17,341	0	PT
93.866		A18-0168-S004	3600	17,116	0	PT
93.866		AG006781-29-UW MOD01	3600	1,049,418	0	PT
93.866		C00049862-1 AM1	3600	33,296	0	PT
93.866		PE155RM12SIBCR	3600	52,551	0	PT
93.866		RC105335G AM03	3600	6,012	0	PT
93.866		RNG200188-2-UW	3600	18,085	0	PT
93.866		SPC-000277 AM01	3600	152,580	0	PT
93.866		TBI	3600	71,409	0	PT
93.866		UNR-17-36	3600	653	0	PT
93.866		UNR-17-36 AM01	3600	95,664	0	PT
93.866		UW667666	3600	2,133	0	PT
93.866		VUMC 40785	3600	(14,874)	0	PT
93.866		WA00474330/OSP2017056	3600	4,483	0	PT
93.866		WFUHS 112971 AM02	3600	23,044	0	PT
93.866		WFUHS 115048 AM05	3600	23,596	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.866	Aging Research	WFUHS 441338 AM 1	3600	18,078	0	PT
93.866			3650	919,448	24,354	
93.866		765335874P	3650	78,795	0	PT
93.866		765361874P	3650	86,354	0	PT
93.866		FY16001015	3650	50,676	0	PT
	Federal Program 93.866 Total			**31,625,123**	**4,182,562**	
93.867	Vision Research		3600	14,002,095	1,404,608	
93.867		00007517 AM07	3600	2,726	0	PT
93.867		1002605_UW AM03	3600	(4,952)	0	PT
93.867		1002605_UW AM04	3600	80,304	0	PT
93.867		2002745508 AM03	3600	(1,300)	0	PT
93.867		2002745508 AM04	3600	2,139	0	PT
93.867		A132551	3600	78	0	PT
93.867		FP4494_REN02	3600	25,596	0	PT
93.867		PROTOCOL #U SITE 47	3600	7,365	0	PT
93.867			3650	408,742	47,843	
93.867		2003370134	3650	127,624	0	PT
	Federal Program 93.867 Total			**14,650,417**	**1,452,451**	
93.879	Medical Library Assistance		3600	2,696,107	411,753	
93.879		00404781240953AM05	3600	18,869	0	PT
93.879		2017143574 AM01	3600	10,577	0	PT
93.879		298692 AM03	3600	1,443	0	PT
93.879		RSTFD0000691705 AM01	3600	(24,822)	0	PT
93.879		RSTFD0000691705 AM02	3600	34,614	0	PT
	Federal Program 93.879 Total			**2,736,788**	**411,753**	
	National Institutes of Health Total			**331,616,874**	**43,643,019**	
93.933	Demonstration Projects for Indian Health	2017-003	3600	16,632	0	PT
93.933		2017-004	3600	98,133	0	PT
93.933		2018-029	3600	160,996	0	PT
93.933		2017127	3650	18,917	0	PT
	Federal Program 93.933 Total			**294,678**	**0**	
	Indian Health Service Total			**294,678**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.941	HIV Demonstration, Research, Public and Profession		3600	159,738	0	
	Federal Program 93.941 Total			**159,738**	**0**	
	Centers for Disease Control and Prevention Total			**159,738**	**0**	
93.989	International Research and Research Training		3600	2,395,881	567,681	
93.989		819CHS0502	3600	8,441	0	PT
93.989		A105624/A116704 AM02	3600	38,769	0	PT
93.989		A110910819CHS0502AM01	3600	65,121	0	PT
93.989		A116705 AM02	3600	20,071	0	PT
93.989		A116705 AM03	3600	122,646	0	PT
93.989		P-HERT YEAR 2	3600	7,727	0	PT
93.989		UON-UW5D43TW010141-0	3600	218,750	0	PT
93.989		VUMC 40785 AM02	3600	4,107	0	PT
	Federal Program 93.989 Total			**2,881,513**	**567,681**	
	National Institutes of Health Total			**2,881,513**	**567,681**	
93.RD	Department of Health and Human Services - Unknown	0000865655 AM 2	3600	4,555	0	PT
93.RD		0000865655 AM01	3600	11,445	0	PT
93.RD		0000908589 AM01	3600	10,583	0	PT
93.RD		000500918-T013-011	3600	1,516	0	PT
93.RD		000500918-T015-003	3600	59,545	0	PT
93.RD		000500918-T015-004	3600	23,261	0	PT
93.RD		000500918-T016-009	3600	13,921	0	PT
93.RD		000500918T008SC003AM01	3600	(4,240)	0	PT
93.RD		000500918T011005AM01	3600	76,782	0	PT
93.RD		000500918T013011AM01	3600	4,375	0	PT
93.RD		000501394-005 AM4	3600	8,117	0	PT
93.RD		000509388-T006-001	3600	189,475	0	PT
93.RD		000509388T004001AM01	3600	318,371	0	PT
93.RD		0024031-6 AM03	3600	107,174	0	PT
93.RD		0024031-6 AM06	3600	46,654	0	PT
93.RD		0049347-1 AM 002	3600	14,882	0	PT
93.RD		0049347-1 AM01	3600	102,834	0	PT
93.RD		0049347-1 AM02	3600	41,562	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.RD	Department of Health and Human Services - Unknown	10042359-02 AM02	3600	243,091	0	PT
93.RD		1004354_UWA AM04	3600	155,846	0	PT
93.RD		1004354_UWA AM05	3600	176,770	0	PT
93.RD		1009898_UWA	3600	50,849	0	PT
93.RD		1010240_UWA	3600	68,134	0	PT
93.RD		1010409_UWA	3600	73,798	0	PT
93.RD		14011000070000MOD01	3600	279,483	21,600	PT
93.RD		1600258A-1325 AM03	3600	156,386	0	PT
93.RD		1600258A-1326 AM02	3600	35,073	0	PT
93.RD		1600258A-1327 AM02	3600	39,418	0	PT
93.RD		1600258A-1658 AM04	3600	66,120	0	PT
93.RD		16JTSK0203 MOD01	3600	25,239	0	PT
93.RD		200201587699PO00012000	3600	14,686	0	PT
93.RD		220778 MOD04	3600	3,234	0	PT
93.RD		2287 PREV	3600	14,470	0	PT
93.RD		2500.9026	3600	34,499	0	PT
93.RD		2500.9026 A3	3600	84,825	0	PT
93.RD		349-BEAUFORT AM01	3600	(1,278)	0	PT
93.RD		416495-G AM02	3600	9,393	0	PT
93.RD		4594 MOD02	3600	42,897	0	PT
93.RD		47346 MOD02	3600	41,466	0	PT
93.RD		47508	3600	5,185	0	PT
93.RD		47676	3600	8,621	0	PT
93.RD		48546 MOD02	3600	2,457	0	PT
93.RD		5 TP1AH000106-02-00	3600	54,992	0	PT
93.RD		6 TP1AH000106-03-01	3600	167,774	0	PT
93.RD		6355TASKORDER63550363	3600	8,244	0	PT
93.RD		686K836 AM01	3600	329,503	0	PT
93.RD		686K862 AM01	3600	23,726	0	PT
93.RD		7500160942	3600	13,406	0	PT
93.RD		76887872 AM02	3600	23,797	0	PT
93.RD		80781 AM01	3600	56,335	0	PT
93.RD		865-UW-2017	3600	17,130	0	PT
93.RD		9920160064 AM02	3600	13,023	0	PT
93.RD		ADDENDUM 1	3600	31,839	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.RD	Department of Health and Human Services - Unknown	AM03	3600	23,242	0	PT
93.RD		CC FORM SUB UW#2	3600	236,394	138,851	PT
93.RD		HHSN268201500021C (AA)	3600	8,716	0	PT
93.RD		HHSN268201500021C (X)	3600	12,052	0	PT
93.RD		HHSN268201500021CPH35	3600	13,977	0	PT
93.RD		HHSN27200012 MOD06	3600	4,584	0	PT
93.RD		HHSN27200013	3600	1,024,678	0	PT
93.RD		HHSN272200800004C-UW	3600	106,783	0	PT
93.RD		MOD09	3600	16,732	0	PT
93.RD		NO.10042359-02	3600	45,176	0	PT
93.RD		P1090 PO#2002565212	3600	7,231	0	PT
93.RD		P9825 / P9881 AM02	3600	78,977	0	PT
93.RD		PO 1000757594	3600	34,950	0	PT
93.RD		PO111110200201587699	3600	13,029	0	PT
93.RD		PRIME: NU38OT000223	3600	1,187	0	PT
93.RD		PROJECT #80778 AM02	3600	74,233	0	PT
93.RD		PROJECT602005TO5MOD2	3600	35,703	0	PT
93.RD		RNG002833BUDG03SUBU	3600	9,040	0	PT
93.RD		S6020 TO# 05	3600	15,051	0	PT
93.RD		SP003377960044358UWAS	3600	9,201	0	PT
93.RD		SUBCONTRACT NO.3	3600	381,957	0	PT
93.RD		TASK114466POSR00004414	3600	807	0	PT
93.RD		TASK1414471POSR000044	3600	415	0	PT
93.RD		TASK214467POSR0000441	3600	5,486	0	PT
93.RD		TASK314468POSR0000441	3600	59,993	0	PT
93.RD		TASK714469POSR0000441	3600	12,640	0	PT
93.RD		TASK914470POSR0000441	3600	7,706	0	PT
93.RD		TO # TOASNHP033	3600	54,065	0	PT
93.RD		TO02PROJ602002MOD03	3600	12,340	0	PT
93.RD		TO02PROJ602002MOD04	3600	22,313	0	PT
93.RD		TO1PO20151811380MOD06	3600	942	0	PT
93.RD		TO1PO2017135605MOD07	3600	6,513	0	PT
93.RD		TO1PO2017135608MOD07	3600	43,224	0	PT
93.RD		Unknown	3600	17,949,481	6,715,903	
93.RD		UW631106	3600	2,730	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.RD	Department of Health and Human Services - Unknown	UW631735	3600	22,509	0	PT
93.RD		UW632909	3600	50,051	0	PT
93.RD		UW633172	3600	2,309	0	PT
93.RD		UW635330	3600	7,183	0	PT
93.RD		UW660451	3600	89,999	0	PT
93.RD		UW662252	3600	15,443	0	PT
93.RD		UWCRYO-13600	3600	252,080	0	PT
93.RD		UWIPD-13600	3600	58,267	0	PT
93.RD		UWNMR-13599	3600	43,262	0	PT
93.RD		UWNMR-13600	3600	60,785	0	PT
93.RD		UWPPG-13599	3600	239,307	0	PT
93.RD		UWPPG-13600	3600	604,076	0	PT
	Federal Program 93.RD Total			**25,178,062**	**6,876,354**	
	HHS Contract Number Only Provided Total			**25,178,062**	**6,876,354**	
Dept of Health & Human Services Total				**571,426,982**	**74,660,291**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Social Security Administration

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
96.007	Social Security Research and Demonstration	40112S05299 AM02	3600	12,138	0	PT
	Federal Program 96.007 Total			**12,138**	**0**	
	Social Security Administration Total			**12,138**	**0**	
	Social Security Administration Total			**12,138**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Homeland Security

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
97.RD	Homeland Security - Unknown CFDA Number	505092-78051 AM03	3600	33,520	0	PT
97.RD		91804998 AM01	3600	73,771	0	PT
97.RD		Unknown	3600	365,340	104,790	
	Federal Program 97.RD Total			**472,631**	**104,790**	
	Hs Contract Number Only Provided Total			**472,631**	**104,790**	
	Dept of Homeland Security Total			**472,631**	**104,790**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

U.S. Agency for International Development

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
98.RD	US Agency for International Development - Unknown	20140022312	3650	29,130	0	PT
98.RD		20150078901	3650	76,969	0	PT
98.RD		RC102095B1005	3650	8,143	0	PT
98.RD		RC102095BHEARDBANGL	3650	117,992	0	PT
98.RD		RC102095BHEARDKENYA	3650	39,824	0	PT
98.RD		WSU003526	3650	13,431	0	PT
98.RD		WSU003527	3650	9,406	0	PT
	Federal Program 98.RD Total			**294,895**	**0**	
	US Agency for International Development Total			**294,895**	**0**	
	U.S. Agency for International Development Total			**294,895**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

Undetermined Fed Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
99.RD	Federal Assistance - Miscellaneous - Unknown CFDA	09-097QQ-UW AM02	3600	131,964	0	PT
99.RD		1740060301 MOD02	3600	51,042	0	PT
99.RD		H005998401 AM01	3600	47,518	0	PT
99.RD		PO#007W21741	3600	93,883	0	PT
99.RD		PO#211926	3600	3,844	0	PT
99.RD		PS 6243102	3600	4,305	0	PT
99.RD		Unknown	3600	329,830	78,177	
99.RD		UW668804	3600	3,888	0	PT
	Federal Program 99.RD Total			**666,274**	**78,177**	
	Unknown Fed Agy Contract Number Only Provided Total			**666,274**	**78,177**	
	Undetermined Fed Agency Total			**666,274**	**78,177**	
Research and Development Total				**948,322,004**	**103,943,898**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Student Financial Assistance

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.007	Federal Supplemental Educational Opportunity Grant		3600	2,163,140	0	
84.007			3650	1,508,767	0	
84.007			3700	391,036	0	
84.007			3750	331,457	0	
84.007			3760	45,397	0	
84.007			6990	12,274,671	0	
	Federal Program 84.007 Total			**16,714,468**	**0**	
84.033	Federal Work-Study Program		3600	1,921,614	0	
84.033			3650	1,010,452	0	
84.033			3700	496,197	0	
84.033			3750	374,055	0	
84.033			3760	321,035	0	
84.033			3800	487,722	0	
84.033			6990	4,002,262	0	
	Federal Program 84.033 Total			**8,613,337**	**0**	
84.038	Federal Perkins Loan Program_Federal Capital Contr		3600	46,692,994	0	OL
84.038			3600	(5,005,399)	0	OL
84.038			3650	2,095,361	0	OL
84.038			3650	18,510,641	0	OL
84.038			3700	(534,701)	0	OL
84.038			3700	4,689,942	0	OL
84.038			3750	(846,477)	0	OL
84.038			3750	6,006,924	0	OL
84.038			3760	(67,118)	0	OL
84.038			3760	3,491,763	0	OL
84.038			3800	43,270	0	OL
84.038			3800	8,548,261	0	OL
84.038			6990	(8,998)	0	OL
84.038			6990	1,414,591	0	OL
	Federal Program 84.038 Total			**85,031,054**	**0**	
84.063	Federal Pell Grant Program		3600	51,249,181	0	
84.063			3650	38,403,701	0	
84.063			3700	19,546,153	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Student Financial Assistance

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.063	Federal Pell Grant Program		3750	19,398,437	0	
84.063			3760	8,350,205	0	
84.063			3800	18,188,335	0	
84.063			6990	197,065,666	0	
	Federal Program 84.063 Total			**352,201,678**	**0**	
84.268	Federal Direct Student Loans		3600	294,115,760	0	
84.268			3650	167,637,784	0	
84.268			3700	54,684,259	0	
84.268			3750	64,820,657	0	
84.268			3760	20,390,394	0	
84.268			3800	62,514,654	0	
84.268			6990	109,973,119	0	
	Federal Program 84.268 Total			**774,136,627**	**0**	
84.379	Teacher Education Assistance for College and Highe		3650	233,405	0	
84.379			3750	52,900	0	
84.379			3760	7,448	0	
	Federal Program 84.379 Total			**293,753**	**0**	
Dept of Education Total				**1,236,990,917**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Student Financial Assistance

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.264	Nurse Faculty Loan Program		3600	(273,487)	0	OL
93.264			3600	1,412,471	0	OL
93.264			3650	1,696,771	0	OL
93.264			3650	196,651	0	OL
	Federal Program 93.264 Total			**3,032,406**	**0**	
93.342	Health Professions Student Loans, Including Primar		3600	10,705,845	0	OL
93.342			3600	1,102,424	0	OL
93.342			3650	656,577	0	OL
93.342			3650	1,678,935	0	OL
	Federal Program 93.342 Total			**14,143,781**	**0**	
93.364	Nursing Student Loans		3600	363,661	0	OL
93.364			3600	2,251,001	0	OL
93.364			3650	643,668	0	OL
93.364			3650	130,221	0	OL
	Federal Program 93.364 Total			**3,388,551**	**0**	
93.925	Scholarships for Health Professions Students From		3650	1,000	0	
	Federal Program 93.925 Total			**1,000**	**0**	
Dept of Health & Human Services Total				**20,565,738**	**0**	
Student Financial Assistance Total				**1,257,556,655**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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SNAP

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.551	Supplemental Nutrition Assistance Program		3000	1,993	0	
10.551			3000	1,292,450,744	0	NC
	Federal Program 10.551 Total			**1,292,452,737**	**0**	
10.561	State Administrative Matching Grants for the Suppl		3000	111,045,928	8,731,769	
10.561		116-BFET-18	6990	78,907	0	PT
	Federal Program 10.561 Total			**111,124,835**	**8,731,769**	
Dept of Agriculture Total				**1,403,577,572**	**8,731,769**	
SNAP Total				**1,403,577,572**	**8,731,769**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Food Distribution

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.565	Commodity Supplemental Food Program		4950	455,267	430,068	
	Federal Program 10.565 Total			**455,267**	**430,068**	
10.568	Emergency Food Assistance Program (Administrative		4950	2,061,009	1,859,580	
	Federal Program 10.568 Total			**2,061,009**	**1,859,580**	
10.569	Emergency Food Assistance Program (Food Commodities		4950	11,186,005	11,186,005	NC
	Federal Program 10.569 Total			**11,186,005**	**11,186,005**	
Dept of Agriculture Total				**13,702,281**	**13,475,653**	
Food Distribution Total				**13,702,281**	**13,475,653**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Child Nutrition

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.553	School Breakfast Program		3500	57,624,675	57,624,675	
	Federal Program 10.553 Total			**57,624,675**	**57,624,675**	
10.555	National School Lunch Program		3500	200,968,847	200,968,847	
10.555			3500	30,577,623	30,577,623	NC
	Federal Program 10.555 Total			**231,546,470**	**231,546,470**	
10.556	Special Milk Program for Children		3500	201,791	201,791	
	Federal Program 10.556 Total			**201,791**	**201,791**	
10.559	Summer Food Service Program for Children		3500	5,754,042	5,598,209	
	Federal Program 10.559 Total			**5,754,042**	**5,598,209**	
Dept of Agriculture Total				**295,126,978**	**294,971,145**	
Child Nutrition Total				**295,126,978**	**294,971,145**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Fish and Wildlife

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.605	Sport Fish Restoration		4770	7,358,477	0	
15.605		18-121G	4770	5,550	0	PT
	Federal Program 15.605 Total			**7,364,027**	**0**	
15.611	Wildlife Restoration and Basic Hunter Education		4770	15,125,817	0	
	Federal Program 15.611 Total			**15,125,817**	**0**	
Dept of the Interior Total				**22,489,844**	**0**	
Fish and Wildlife Total				**22,489,844**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Employment Service

Dept of Labor

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
17.207	Employment Service/Wagner-Peyser Funded Activities		5400	18,741,703	0	
	Federal Program 17.207 Total			**18,741,703**	**0**	
17.801	Disabled Veterans' Outreach Program (DVOP)		5400	3,452,880	0	
	Federal Program 17.801 Total			**3,452,880**	**0**	
17.804	Local Veterans' Employment Representative Program		5400	1,538,724	0	
	Federal Program 17.804 Total			**1,538,724**	**0**	
Dept of Labor Total				**23,733,307**	**0**	
Employment Service Total				**23,733,307**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

WIOA

Dept of Labor

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
17.258	WIOA Adult Program		5400	15,914,673	15,634,112	
17.258		17-201-UPS	6990	8,816	0	PT
17.258		2018-WIOA	6990	7,743	0	PT
	Federal Program 17.258 Total			**15,931,232**	**15,634,112**	
17.259	WIOA Youth Activities		5400	18,000,073	16,131,921	
17.259		16-EVCC-X-310-Youth	6990	3,486	0	PT
17.259		16-EVCC-X-320-Youth	6990	45,198	0	PT
17.259		16EDCCX291-YOUTH	6990	24,256	0	PT
17.259		17-EVCC-X-335-Youth	6990	31,872	0	PT
	Federal Program 17.259 Total			**18,104,885**	**16,131,921**	
17.278	WIOA Dislocated Worker Formula Grants	16/223-SSC	3600	566	0	PT
17.278			5400	24,443,319	23,891,990	
	Federal Program 17.278 Total			**24,443,885**	**23,891,990**	
Dept of Labor Total				**58,480,002**	**55,658,023**	
WIOA Total				**58,480,002**	**55,658,023**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Transit

Dept of Transportation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
20.500	Federal Transit Capital Investment Grants		4050	142,815	2,400	
	Federal Program 20.500 Total			**142,815**	**2,400**	
20.507	Federal Transit Formula Grants		4050	64,469,459	0	
	Federal Program 20.507 Total			**64,469,459**	**0**	
20.525	State of Good Repair Grants Program		4050	4,304,954	0	
	Federal Program 20.525 Total			**4,304,954**	**0**	
20.526	Bus and Bus Facilities Formula Program		4050	747,543	713,253	
	Federal Program 20.526 Total			**747,543**	**713,253**	
Dept of Transportation Total				**69,664,771**	**715,653**	
Federal Transit Total				**69,664,771**	**715,653**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Highway Safety

Dept of Transportation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
20.600	State and Community Highway Safety		2280	4,915,530	2,460,574	
20.600		Consulting Contract	3700	9,790	0	PT
	Federal Program 20.600 Total			**4,925,320**	**2,460,574**	
20.616	National Priority Safety Programs		2280	6,635,858	6,635,858	
20.616		2018 HVE-2451	3760	1,349	0	PT
	Federal Program 20.616 Total			**6,637,207**	**6,635,858**	
	Dept of Transportation Total			**11,562,527**	**9,096,432**	
	Highway Safety Total			**11,562,527**	**9,096,432**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Special Education (IDEA)

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.027	Special Education Grants to States		3500	230,679,870	227,223,272	
84.027		1211600006/1211600007	3750	31,665	0	PT
84.027		1211700007/1211700008	3750	133,411	0	PT
	Federal Program 84.027 Total			**230,844,946**	**227,223,272**	
84.173	Special Education Preschool Grants		3500	7,994,812	7,687,676	
	Federal Program 84.173 Total			**7,994,812**	**7,687,676**	
Dept of Education Total				**238,839,758**	**234,910,948**	
Special Education (IDEA) Total				**238,839,758**	**234,910,948**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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TRIO

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.042	TRIO Student Support Services		3600	679,144	0	
84.042			3650	685,397	0	
84.042			3750	334,062	0	
84.042			6990	6,552,278	0	
	Federal Program 84.042 Total			**8,250,881**	**0**	
84.044	TRIO Talent Search		3600	343,586	0	
84.044			6990	1,055,885	0	
	Federal Program 84.044 Total			**1,399,471**	**0**	
84.047	TRIO Upward Bound		3600	893,114	0	
84.047			3650	1,647,460	0	
84.047			3760	1,457,684	0	
84.047			6990	3,400,206	0	
	Federal Program 84.047 Total			**7,398,464**	**0**	
84.066	TRIO Educational Opportunity Centers		3750	269,459	0	
84.066			6990	280,604	0	
	Federal Program 84.066 Total			**550,063**	**0**	
84.217	TRIO Mcnair Post-Baccalaureate Achievement		3600	241,232	0	
84.217			3650	231,452	0	
84.217			3700	272,840	0	
84.217			3750	230,208	0	
	Federal Program 84.217 Total			**975,732**	**0**	
Dept of Education Total				**18,574,611**	**0**	
TRIO Total				**18,574,611**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Aging

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.044	Special Programs for the Aging Title III, Part B		3000	9,571,033	8,804,900	
	Federal Program 93.044 Total			**9,571,033**	**8,804,900**	
93.045	Special Programs for the Aging Title III, Part C		3000	11,320,095	11,320,095	
	Federal Program 93.045 Total			**11,320,095**	**11,320,095**	
93.053	Nutrition Services Incentive Program		3000	2,226,778	2,226,778	
	Federal Program 93.053 Total			**2,226,778**	**2,226,778**	
Dept of Health & Human Services Total				**23,117,906**	**22,351,773**	
Aging Total				**23,117,906**	**22,351,773**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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CCDF

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.575	Child Care and Development Block Grant		3000	106,475,834	0	
93.575			3570	62,168,931	12,224,047	
	Federal Program 93.575 Total			**168,644,765**	**12,224,047**	
93.596	Child Care Mandatory and Matching Funds of the Chi		3570	81,157,115	0	
	Federal Program 93.596 Total			**81,157,115**	**0**	
Dept of Health & Human Services Total				**249,801,880**	**12,224,047**	
CCDF Total				**249,801,880**	**12,224,047**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Medicaid

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.775	State Medicaid Fraud Control Units		1000	3,701,975	0	
	Federal Program 93.775 Total			**3,701,975**	**0**	
93.777	State Survey and Certification of Health Care Prov		3000	14,110,781	0	
93.777			3030	2,463,362	0	
	Federal Program 93.777 Total			**16,574,143**	**0**	
93.778	Medical Assistance Program		1050	397,995	0	
93.778			1070	5,699,625,941	10,570,218	
93.778			3000	2,832,671,450	46,827,984	
	Federal Program 93.778 Total			**8,532,695,386**	**57,398,202**	
Dept of Health & Human Services Total				**8,552,971,504**	**57,398,202**	
Medicaid Total				**8,552,971,504**	**57,398,202**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Forest Service Schools and Roads

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.665	Schools and Roads - Grants to States		0050	16,133,259	0	
10.665			3650	39,430	0	
	Federal Program 10.665 Total			**16,172,689**	**0**	
	Dept of Agriculture Total			**16,172,689**	**0**	
Forest Service Schools and Roads Total				**16,172,689**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
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Disability Insurance/SSI

Social Security Administration

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
96.001	Social Security Disability Insurance		3000	51,481,190	0	
	Federal Program 96.001 Total			**51,481,190**	**0**	
	Social Security Administration Total			**51,481,190**	**0**	
	Disability Insurance/SSI Total			**51,481,190**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Highway Planning and Construction

Dept of Transportation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
20.205	Highway Planning and Construction		0100	100,001,150	0	
20.205		06910	3650	1,217	0	PT
20.205		1001326	3650	44,200	0	PT
20.205		WSU201601	3650	1,522	950	PT
20.205			4050	614,078,122	213,706,448	
	Federal Program 20.205 Total			**714,126,211**	**213,707,398**	
20.219	Recreational Trails Program		4670	1,827,355	1,142,833	
	Federal Program 20.219 Total			**1,827,355**	**1,142,833**	
20.224	Federal Lands Access Program		4050	2,510,314	0	
	Federal Program 20.224 Total			**2,510,314**	**0**	
Dept of Transportation Total				**718,463,880**	**214,850,231**	
Highway Planning and Construction Total				**718,463,880**	**214,850,231**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Economic Development

Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.307	Economic Adjustment Assistance		1030	97,382	0	
11.307		07-7907418	3760	35,418	0	PT
11.307			6990	590,226	0	
	Federal Program 11.307 Total			**723,026**	**0**	
Dept of Commerce Total				**723,026**	**0**	
Economic Development Total				**723,026**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Transit Services Programs

Dept of Transportation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
20.513	Enhanced Mobility of Seniors and Individuals With		4050	4,927,176	4,294,112	
	Federal Program 20.513 Total			**4,927,176**	**4,294,112**	
20.516	Job Access and Reverse Commute		4050	10,000	10,000	
	Federal Program 20.516 Total			**10,000**	**10,000**	
20.521	New Freedom Program		4050	9,628	9,628	
	Federal Program 20.521 Total			**9,628**	**9,628**	
Dept of Transportation Total				**4,946,804**	**4,313,740**	
Transit Services Programs Total				**4,946,804**	**4,313,740**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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TANF

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.558	Temporary Assistance for Needy Families		3000	326,829,714	0	
93.558		1665-68116	6990	501,404	0	PT
	Federal Program 93.558 Total			**327,331,118**	**0**	
	Dept of Health & Human Services Total			**327,331,118**	**0**	
TANF Total				**327,331,118**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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(Expressed in whole dollars)

Health Center Program

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.224	Health Center Program (Community Health Centers, M	2987 CHS	3600	47,945	0	PT
	Federal Program 93.224 Total			**47,945**	**0**	
Dept of Health & Human Services Total				**47,945**	**0**	
Health Center Program Total				**47,945**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
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Clean Water State Revolving Fund

Environmental Protection Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
66.458	Capitalization Grants for Clean Water State Revolv		4610	49,660,806	26,729,385	
	Federal Program 66.458 Total			**49,660,806**	**26,729,385**	
	Environmental Protection Agency Total			**49,660,806**	**26,729,385**	
	Clean Water State Revolving Fund Total			**49,660,806**	**26,729,385**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Drinking Water State Revolving Fund

Environmental Protection Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
66.468	Capitalization Grants for Drinking Water State Rev		3030	15,074,841	13,276,102	
	Federal Program 66.468 Total			**15,074,841**	**13,276,102**	
	Environmental Protection Agency Total			**15,074,841**	**13,276,102**	
	Drinking Water State Revolving Fund Total			**15,074,841**	**13,276,102**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
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Maternal, Infant, and Early Childhood Home Visitin

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.870	Maternal, Infant and Early Childhood Home Visitin		3570	10,954,583	7,943,655	
	Federal Program 93.870 Total			**10,954,583**	**7,943,655**	
Dept of Health & Human Services Total				**10,954,583**	**7,943,655**	
Maternal, Infant, and Early Childhood Home Visitin Total				**10,954,583**	**7,943,655**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

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Tribal Maternal, Infant, and Early Childhood Home

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.508	Affordable Care Act Tribal Maternal,Infant & Early	A71880 MOD07	3600	32,671	0	PT
	Federal Program 93.508 Total			**32,671**	**0**	
	Dept of Health & Human Services Total			**32,671**	**0**	
Tribal Maternal, Infant, and Early Childhood Home Total				**32,671**	**0**	

Total Federal Assistance	**17,688,563,290**	**1,975,942,991**	

Footnotes:
NC - Expenditure amount noncash in nature
PT - Expenditure, Pass-through in nature (federal funds received through another nonfederal entity).
OL - Loan Amount (outstanding loan amounts to date).

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Table of Contents

Note A: **Purpose of the Schedule**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the state's financial statements and is presented for purposes of additional analysis. The Schedule is required by the Office of Management and Budget (OMB) Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards .

Note B: **Significant Accounting Policies**

Note B1: Basis of Presentation - The information in the Schedule is presented in accordance with the OMB Uniform Guidance.

- Federal Financial Assistance - Pursuant to the Single Audit Act of 1984 (Public Law 98-502); the Single Audit Act Amendments of 1996 (Public Law 104-156); and OMB Uniform Guidance federal financial assistance, hereafter referred to as federal assistance, is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, endowments, or direct appropriations. Accordingly, non-monetary or non-cash federal assistance, including electronic benefit cards, food commodities, immunization supplies and surplus property, is federal assistance and, therefore, is reported on the Schedule. Federal financial assistance does not include direct federal cash assistance to individuals or solicited contracts between the state and federal agencies for which the state provides tangible goods or services, acting as a vendor.

- Catalog of Federal Domestic Assistance (CFDA) - OMB Uniform Guidance requires the Schedule to show total expenditures expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

  Each program included in the CFDA is assigned a five-digit program identification number (CFDA number), the first two digits designating federal agency and the last three digits designating federal assistance program within the federal agency. The CFDA number is reflected in the Schedule.

  For federal assistance programs and awards that have no assigned CFDA numbers, federal awards to non-Federal entities from the same agency made for the same purpose are combined and considered as one program. If the CFDA three-digit extension is unknown, it shall be assigned a "U" followed by a two-digit number (e.g., U01, U02, etc.). If the Federal program is part of the Research and Development (R&D) cluster and the CFDA extension is unknown, "RD" shall be used as the CFDA extension.

- Cluster of Programs - Closely related programs with different CFDA numbers that share common compliance requirements are to be considered a cluster of programs. The Schedule is structured to present the federal assistance information by cluster with the title of the cluster appearing in the heading. Programs not included within a designated cluster are presented under the title Programs Not Clustered. The only program clusters presented on the Schedule are those mandated by OMB in the most recent Compliance Supplement (April 2018). No expenditures of federal awards were recorded in the following mandated clusters in the report year:

  Section 8 Project-Based
  Foster Grandparent/Senior Companion
  Foreign Food Aid Donation
  CDBG – Entitlement Grants
  Housing Voucher
  CDFI
  Community Facilities Loans and Grants
  HOPE VI
  Hurricane Sandy Relief
  CDBG – Disaster Recovery Grants – Pub L. No. 113-2

Note B2: Reporting Entity - The state reporting entity is fully described in Note 1A to the state's financial statements. The Schedule includes the activity of all federal assistance programs administered by the state during fiscal year ending June 30, 2018. All component units are excluded from the schedule and are subject to separate audits in accordance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Note B3: Basis of Accounting - Federal assistance programs included in the Schedule are reported in the state's financial statements as federal grants-in-aid in the General, Special Revenue, Debt Service, Capital Projects, and Permanent Funds and as other revenue in proprietary and fiduciary funds. The Schedule is presented using the same basis of accounting as that used in reporting the expenditures of the related funds in the state's fund financial statements. The basis of accounting used for each fund type is described in Note 1C to the state's financial statements.

- Indirect Costs - The Schedule includes a portion of costs associated with general activities which is allocated to federal assistance programs under negotiated formulas commonly referred to as indirect cost rates and federally approved cost allocation plans. The Schedule also includes the indirect costs of agencies that have elected to use the 10% de minimis rate in accordance with the Uniform Guidance. Reimbursement of state central service costs, achieved via the federally approved Statewide Central Services Cost Allocation Plan, is not reflected on the Schedule. A total of $914,576 was recovered for state central service costs during fiscal year ending June 30, 2018.

- Matching Costs - The Schedule does not include matching expenditures with the exception specified in Note C to the Schedule.

- Non-monetary Assistance - Non-monetary assistance programs included on the Schedule are identified with a non-cash expenditure (NC) including:

  1. The **Supplemental Nutrition Assistance Program (SNAP)** is administered through Electronic Benefit (EBT) cards that provide each eligible client with an authorized limit of service (purchase of specific food products). The dollar expenditure reported for the SNAP consists of actual disbursements for client purchases of authorized food products via the EBT card program.

  2. The **Temporary Emergency Food Assistance and National School Lunch** programs are presented at the federally assigned value of product disbursed by the state.

  3. The **Surplus Property** program is presented at the fair market value of the property distributed. The fair market value was estimated to be 22.47% of the property's original acquisition value.

  4. The **Immunization Vaccine** programs are presented at the federally assigned value of product disbursed by the state.

- Pass-Through Federal Assistance (state as subrecipient included on the Schedule) - The majority of the state's federal assistance is received directly from federal awarding agencies (i.e., the state is the primary recipient). However, state agencies receive some federal assistance that is passed through a separate entity prior to receipt by the state (i.e., the state is a subrecipient). Although this type of assistance is included on the Schedule as "Pass-Through" (PT), it is not reported as federal revenue on the state's basic financial statements because it was not awarded directly from the federal government to the state. Additional detail related to this type of pass through assistance is provided in Note F to the Schedule.

- Pass-Through Federal Assistance (state as subrecipient not included on the Schedule) – The state is a direct recipient of U.S. Department of Labor Workforce Investment Act (WIA) funds. These funds are reported on the Schedule. A large portion of these funds are passed through to non-state entities that, in certain instances, subaward the same funds back to the state. The dollar amount of these subawards, while included in the scope of the Single Audit, are not reported by the state on the Schedule since they are already part of the amount reported as direct assistance. Additional detail related to this type of pass through assistance is provided in Note G to the Schedule.

- Federal transactions between state agencies - Some state agencies subaward federal assistance to other state agencies (i.e., a pass-through of funds by the primary recipient organization to a subrecipient state organization). In these situations, the federal revenue and expenditures are only reported once within the same fund in the state's financial statements in accordance with generally accepted accounting principles (GAAP) and reported once on the Schedule. This method avoids duplication and the overstatement of the aggregate level of federal assistance expended by the state. However, purchases of services between state organizations using federal monies are reported in the financial statements as expenditures or expenses by the purchasing organization and as revenues for services rendered by the providing organization.

Note B4: Presentation Comments

- Private company rebate activity is not included on the Schedule. Due to the significance of the resources provided by this rebate activity, the following amounts are disclosed for fiscal year ending June 30, 2018:

  10.557 - Special Supplemental Nutrition Program for WIC... $28,204,563
  (Infant formula rebates provided by private companies)

  93.917 - HIV Care.. $14,601
  (Immunization rebates provided by private pharmaceutical companies)

- Expenditures for the federal share of bond repayment are not included on the Schedule. Due to the significance of the federal participation, the following amount is disclosed for the fiscal year ending June 30, 2018:

  20.205 Debt service costs for Referendum 49 bonds... $2,020,513

- State agency numbers used in the Schedule can be referenced, either by number (listed numerically) or name of the agency (listed alphabetically), in the Appendix.

Note C: **Unemployment Insurance (U.I.) Program, Employer (State) Financial Participation**

As required by U.S. Department of Labor letter dated December 24, 1997, the expenditures reported on the Schedule for Unemployment Insurance, CFDA Program No. 17.225, for fiscal year ending June 30, 2018 include:

State of Washington/Employer Funded...	$894,472,522
Federal Funds…………………………………………………………	128,009,220
Total	$ 1,022,481,742

Note D: **Non-monetary Assistance Inventory**

As described previously in Note B3, non-monetary assistance is reported in the Schedule. As of June 30, 2018, the state held the following inventories of non-monetary assistance:

Food Commodities (10.565 and 10.569)	$ 6,110,426

Note E: **Other Footnote Designations**

The following footnote codes are utilized in the Schedule (far right column):

NC - Non-cash expenditures.

PT - Pass Through (expenditures of federal assistance received from a nonfederal entity).

OL – The balance of loans from previous years, for which the federal government imposes continuing compliance requirements.

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
03.312	3600	ASSOCIATION OF CHILDREN'S MUSEUMS	MG-10-14-0006-14	29,089
03.313	3600	MOZILLA FOUNDATION	USF.IMLS-20152008	5,446
03.313	3600	SYRACUSE UNIVERSITY	29375-04698-S01	2,001
10.170	3650	VIVA FARMS	ORSO131825001	944
10.170	6990	HumanLinks dba 21 Acres	11907778	376
10.172	3600	21 ACRES CENTER	UW634190	-402
10.200	3650	CO ST UNIV	AFE742346	931
10.200	3650	CO ST UNIV	G140261	104,536
10.200	3650	UNIV OF CA DAVIS	20150258701WSU	13,546
10.200	3650	UNIV OF CA DAVIS	20150258715WSU	2,963
10.200	3650	UNIV OF CA DAVIS	20150258717WSU	39,535
10.200	3650	UNIV OF CA DAVIS	20150258718WSU	3,092
10.200	3650	UNIV OF CA DAVIS	20150258736WSUGRANASTE	2,378
10.200	3650	UNIV OF CA DAVIS	20150258737WSUWATERSPE	-129
10.200	3650	UNIV OF CA DAVIS	A180916S001	6,773
10.200	3650	UNIV OF CA DAVIS	A180916S002	15,642
10.200	3650	UNIV OF CA DAVIS	A180916S003	6,286
10.200	3650	UNIV OF CA DAVIS	A180916S004	287
10.200	3650	UNIV OF ID FED	BJKP36SB003	18,348
10.212	3650	TROUTLODGE INC	11781801	16
10.212	3650	WA BIO-OILS INC	130318	7,608
10.215	3650	UT ST UNIV - FED FLOW	090758003	-1,448
10.215	3650	UT ST UNIV - FED FLOW	130676002240	85,465
10.215	3650	UT ST UNIV - FED FLOW	130676021282	16,905
10.215	3650	UT ST UNIV - FED FLOW	130676022	116
10.215	3650	UT ST UNIV - FED FLOW	140867029223	26,360
10.215	3650	UT ST UNIV - FED FLOW	140867032373	20,164
10.215	3650	UT ST UNIV - FED FLOW	14086704268	30,195

State of Washington
Schedule of Expenditures of Federal Awards
Note F: Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended June 30, 2018 (Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
10.215	3650	UT ST UNIV - FED FLOW	15089300001266	15,190
10.215	3650	UT ST UNIV - FED FLOW	15089300001267	686
10.215	3650	UT ST UNIV - FED FLOW	15089300001268	15,249
10.215	3650	UT ST UNIV - FED FLOW	15089300001271	13,787
10.215	3650	UT ST UNIV - FED FLOW	150893169	59,927
10.215	3650	UT ST UNIV - FED FLOW	20059200001316	21,144
10.215	3650	UT ST UNIV - FED FLOW	200592380	45,847
10.215	3650	UT ST UNIV - FED FLOW	200592445	7,328
10.215	3650	UT ST UNIV - FED FLOW	201207511	3,848
10.215	3650	UT ST UNIV - FED FLOW	201207548	4,340
10.215	3650	UT ST UNIV - FED FLOW	201207568	2,290
10.217	3650	SOUTH DAKOTA STATE UNI	3TH607	772
10.227	3600	DINE COLLEGE	UW630823	7,191
10.253	3600	UNIVERSITY OF KENTUCKY RESEARCH FNDN	3048110944-18-039	10,994
10.303	3650	OR ST UNIV FED	C0477AA	-197
10.304	3650	UNIV OF CA FED	20130306304	30,159
10.304	3650	UNIV OF CA FED	20160379404	-19,574
10.307	3650	OR ST UNIV FED	C0519AA	3,728
10.307	3650	UT ST UNIV - FED FLOW	14082302	49,388
10.308	3650	UNIV OF GA FED FLOW	RR6444188644577	44,184
10.309	3600	KANSAS STATE UNIVERSITY	S15187 MOD02	43,564
10.309	3650	CITRUS RES & DEV FNDN	13014NU793	-62
10.309	3650	CORNELL UNIV FED FLOW	7399910422	166,977
10.309	3650	CORNELL UNIV FED FLOW	7961110753	146,884
10.309	3650	MI ST UNIV	RC104285L	419,340
10.309	3650	MI ST UNIV	RC106347WSU	25,752
10.309	3650	NC ST UNIV - FED FLOW	2012178503	34,102
10.309	3650	NC ST UNIV - FED FLOW	2016149806	98,839

State of Washington
Schedule of Expenditures of Federal Awards
Note F: Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
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Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
10.309	3650	NC ST UNIV - FED FLOW	2016150101	4,710
10.309	3650	NC ST UNIV - FED FLOW	2017039813	181,103
10.309	3650	UNIV OF AZ	404490	27,808
10.309	3650	UNIV OF CA DAVIS	20140375704	82,864
10.309	3650	UNIV OF FL FED FLOW	UFDSP00010606	44,331
10.309	3650	UNIV OF TN FED FLOW	8500042730	654,189
10.310	3600	UNIVERSITY OF NEVADA RENO	UNR1550PR2013670192136	6,701
10.310	3600	UNIVERSITY OF WISCONSIN MADISON	612K032 AM03	70,091
10.310	3650	BAYLOR COLLEGE OF MED	101474002	69,356
10.310	3650	BAYLOR COLLEGE OF MED	102117659	324,660
10.310	3650	MI ST UNIV	RC104967WSU	68,693
10.310	3650	MI ST UNIV FED FLOW	RC105806WSU	25,217
10.310	3650	NC ST UNIV - FED FLOW	2018031801	4,727
10.310	3650	OR ST UNIV FED	C0414CB	51
10.310	3650	UNIV OF CA DAVIS	20122309005	78,376
10.310	3650	UNIV OF CA DAVIS	20160356617	4,858
10.310	3650	UNIV OF CA DAVIS	A181616S001	4,232
10.310	3650	UNIV OF FL FED FLOW	UFDSP00011803	67,312
10.310	3650	UNIV OF ID FED	BGK418SB001	28,362
10.310	3650	UNIV OF ID FED	BJKL03SB002	134,990
10.310	3650	UNIV OF ID FED	BJKP55SB002	28,440
10.310	3650	UNIV OF ID FED	BJKQ80SB001	303,737
10.310	3650	UNIV OF ID FED	BKK664SB001	36,010
10.310	3650	UNIV OF IL FED FLOW	07594515343	79,049
10.310	3650	UNIV OF MD	58864Z5057201	34,933
10.310	3650	UNIV OF MN FED FLOW	H005365302	68,286
10.310	3650	UNIV OF VT FED FLOWTHR	29034SUB51751	3,962
10.310	3650	UNIV OF VT FED FLOWTHR	30122SUBWSU	8,249

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
10.310	3650	UNIVERSITY OF MIAMI	SPC-000376	27,733
10.310	3650	UNIVERSITY OF MISSOURI	C00544064	32,134
10.310	3760	CORNELL UNIV	201568001-23230	71,906
10.310	3760	UNIV.OF VERMONT	30122SUB524346	18,058
10.310	3800	.310	202569WWU	28,995
10.311	3650	VIVA FARMS	ORSO130291	6,357
10.311	6990	VIVA FARMS	2016-70017-25348	35,640
10.312	3650	UNIV OF HI RES CORP	MA120037	-28
10.328	3650	UNIV OF ID FED	BLK246SB003	19,329
10.328	3650	VIVA FARMS	ORSO128916	6,634
10.329	3650	CORNELL UNIV FED FLOW	7652310725	4,362
10.329	3650	OR ST UNIV FED	C0483AA	33,156
10.331	3650	VIVA FARMS	ORSO127670002	11,440
10.443	3650	VIVA FARMS	ORSO130090	18,192
10.460	3650	VIVA FARMS	ORSO129135	5,310
10.460	3650	VIVA FARMS	ORSO132302	12,516
10.500	3650	KS ST UNIV	S17103	10,378
10.500	3650	KS ST UNIV	S17160	13,535
10.500	3650	KS ST UNIV	S17175	10,278
10.500	3650	KS ST UNIV	S18094	16,622
10.500	3650	KS ST UNIV	S18129	1,371
10.500	3650	PURDUE UNIV	8000081236AG	6,493
10.500	3650	TX A&M UNIV FED	M1800199	20,561
10.561	6990	SBCTC-BFET 50%	116-BFET-18	78,907
10.575	3650	CLARK COUNTY HEALTH	HDC781	6,730
10.604	3650	NATIONAL POTATO PROMOT	130329001	45,518
10.604	3650	UNIV OF CA DAVIS	A160082S002	12,284
10.604	3650	WA APPLE COMM	WAC141520	331,543

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10.604	3650	WA RED RASPBERRY COMM	ORSO130051	51,062
10.674	3650	WILSON ENGINEERING SER	0100	244
10.680	3800	Cornell University	69329-10949	1,327
10.912	3650	WHATCOM COUNTY CONSERV	132276001	7,260
10.960	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	6027 PO 430712	-1
10.RD	3600	SEALASKA CORPORATION	MOD 2	-11
10.RD	3600	WESTERN UNIVERSITY OF HEALTH SCIENCES	20142-DRESCHLER-NIFA	106,833
10.U22	3650	UNIV OF AR	9144702	40,390
10.U23	3650	COTTON INCORPORATED	WSU003470	204,078
11.012	3600	*UNIVERSITY OF ALASKA FAIRBANKS	UAF 15-0085 AM02	15,755
11.012	3600	ALASKA OCEAN OBSERVING SYSTEM	H2400-63 AM02	6,582
11.012	3600	ALASKA OCEAN OBSERVING SYSTEM	H2400-82 AM02	6,769
11.012	3600	SOUTHEASTERN UNIVERSITIES RSCH ASSOC INC	2013-014 AM06	39,032
11.303	3700	North Central Washington Economic Development District	ED17SEA3020076	2,113
11.307	3760	WILLAMETTE PARTNERSHIP	07-7907418	35,418
11.417	3600	UNIVERSITY OF HAWAII	MA1310	42,642
11.417	6990	University of Washington	0648-0362	53,359
11.427	3600	PACIFIC SHELLFISH INSTITUTE	NA15NMF4270318 AM01	35,873
11.427	3600	PACIFIC SHELLFISH INSTITUTE	NA15NMF4270322 AM02	4,645
11.427	3600	TULALIP TRIBES	AM01	32,738
11.431	3600	*OREGON STATE UNIVERSITY	NA291A-B AM02	55,964
11.431	3600	TEXAS A&M UNIVERSITY-CORPUS CHRISTI	16-04 AM03	65,426
11.432	3800	Pacitif Shellfish Institute	NA17NMF4270221	1,260
11.437	3600	*PACIFIC ST MARINE FISHERIES COMMISION	15-85C AM02	14,111
11.437	3600	*PACIFIC ST MARINE FISHERIES COMMISION	16-104G	149,193
11.437	3600	ALASKA FISHERIES SCIENCE CENTER	17-57G AM01	14,443
11.437	3600	PACIFIC ST MARINE FISHERIES COMMISION	17-04G AM01	126,953

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11.437	4770	Pacific States Marine Fisheries Commission	16-35G	202,053
11.437	4770	Pacific States Marine Fisheries Commission	17-102G	12,211
11.437	4770	Pacific States Marine Fisheries Commission	17-113G	154,987
11.437	4770	Pacific States Marine Fisheries Commission	17-18G	11,161
11.437	4770	Pacific States Marine Fisheries Commission	17-30G	76,349
11.437	4770	Pacific States Marine Fisheries Commission	17-41C	65,056
11.437	4770	Pacific States Marine Fisheries Commission	18-63G	49,114
11.437	4770	Pacific States Marine Fisheries Commission	18-98G	101,154
11.437	4770	The Nature Conservancy	WA-S-141207-031	101,956
11.438	3600	*ALASKA DEPARTMENT OF FISH AND GAME	QKSSF-44914 AM02	22,891
11.438	3600	BERING SEA FISHERMEN'S ASSOCIATION	AC-1704A REV01	73,245
11.438	3600	BERING SEA FISHERMEN'S ASSOCIATION	AC-1705A REV01	20,276
11.439	4770	Pacific States Marine Fisheries Commission	17-08G	51,365
11.439	4770	Pacific States Marine Fisheries Commission	18-42G	139,433
11.441	4770	North Pacific Fishery Management Council	2017-3	17,022
11.441	4770	North Pacific Fishery Management Council	2018-3	50,220
11.441	4770	Pacific States Marine Fisheries Commission	06-17	130,988
11.452	3600	BERING SEA FISHERMEN'S ASSOCIATION	AC-1515	244,322
11.454	4770	Seattle Aquarium	Agreement	6,177
11.463	3600	NATURE CONSERVANCY	WA-S-170307-021-2	22,346
11.463	4770	The Nature Conservancy	WA-S-161130-012	332,839
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1509B AM01	91,752
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1525	10,362
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1533 AM02	66,256
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1603AM01NA15NMF4720173	70,504
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1615	27,198
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	F6423 AM01	3,589
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	PROJECT# 1601	109,032

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11.472	3600	ALASKA DEPARTMENT OF FISH AND GAME	CT 180000354	38,291
11.472	3600	ALASKA OCEAN OBSERVING SYSTEM	A94-00B	21,136
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1402	113,043
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1408	1,763
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1609 AM01	79,818
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1705	50,846
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1722	32,544
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1722-90	861
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1724	51,720
11.472	3600	NORTH PACIFIC RESEARCH BOARD	A92-02A	157,512
11.472	3600	NORTH PACIFIC RESEARCH BOARD	A92-02B	11,823
11.472	3600	NORTH PACIFIC RESEARCH BOARD	A93-02A	21,336
11.472	3600	NORTH PACIFIC RESEARCH BOARD	A93-02B	37,758
11.472	3600	NORTH PACIFIC RESEARCH BOARD	A94-00A	4,408
11.472	3600	PRINCE WILLIAM SOUND SCIENCE CENTER	17-75-08 AM01	135,901
11.472	3800	North Pacific Research Board	1427C	50,438
11.472	3800	North Pacific Research Board	1533	9,901
11.472	3800	North Pacific Research Board	1701	49,985
11.472	4770	National Fish & Wildlife Foundation	0303.17.058776	237
11.473	3600	NATURE CONSERVANCY	WA-G-170818-006	35,279
11.611	6990	IMPACT WA	70NANB154355	2,513
11.619	3600	COLORADO STATE UNIVERSITY	G-00745-1 AM03	89,916
11.619	3600	UNIVERSITY OF MASSACHUSETTS LOWELL	S51700000029488	-2,084
11.RD	3600	DOGAMI	632151721	18,121
11.U02	3650	SYNOPTIC DATA CORP	S20170118	209,651
11.U03	3700	North Central Washington Economic Development District	07-83-07272	2,245
11.U04	3700	North Central Washington Economic Development District	ED17SEA3020076	10,250

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12.300	3600	COLORADO STATE UNIVERSITY	G-22069-1 AM03	47,018
12.300	3600	COLUMBIA UNIVERSITY	2 GG007783 AM11	41,608
12.300	3600	CORNELL UNIVERSITY	78559-10699 AM02	249,519
12.300	3600	CORNELL UNIVERSITY	7855910699N00014161261	22,417
12.300	3600	JOHN CARROLL UNIVERSITY	EGC1A127289	34,684
12.300	3600	UNIVERSITY OF CALIFORNIA, BERKELEY	00009483 AM01	101,261
12.300	3600	UNIVERSITY OF ROCHESTER	417318/URFAO GR510770	3,051
12.300	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101081 AM05	122,364
12.300	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101380 AM01	28,818
12.300	3650	OCEANS INITIATIVE	WSU003720	29,673
12.300	3650	SMRU LLC	US01	57,027
12.351	3600	UNIVERSITY OF PITTSBURGH	0058320 (413992-1)	4,298
12.351	3650	PRINCETON UNIV	SUB0000083	51,612
12.401	3760	DEP.TOF THE ARMY	WAC20160740	84,181
12.420	3600	*OREGON STATE UNIVERSITY	RM128A-B AM01	121,970
12.420	3600	BOSTON UNIVERSITY	4500002564	38,644
12.420	3600	CARNEGIE MELLON UNIVERSITY	1130213-394810	20,230
12.420	3600	DENVER RESEARCH INSTITUTE	MSRC-FY-16-01 MOD01	428,329
12.420	3600	DUKE UNIVERSITY	201114	3,925
12.420	3600	EMORY UNIVERSITY	T659929 AM02	10,443
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000814873 AM02	28,719
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000814873 AM03	217,173
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000814876 AM3	137,841
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000843084 AM02	11,489
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000843085 AM02	8,402
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000863149 AM01	3,176
12.420	3600	H LEE MOFFITT CANCER CENTER & RSCH INST	12-18717-99-01-G1 AM01	421,075
12.420	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0258-0701-4609 AM02	3,414

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
12.420	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0258-0701-4609 AM1	-33
12.420	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0258-1031-4609	157,434
12.420	3600	INSTITUTE FOR SYSTEMS BIOLOGY	2016.0003 AM01	91,868
12.420	3600	JOHNS HOPKINS UNIVERSITY	2001977042 MOD05	472
12.420	3600	JOHNS HOPKINS UNIVERSITY	PO 2002505331 MOD03	3,145
12.420	3600	JOHNS HOPKINS UNIVERSITY	VUMC37447 MOD04	80
12.420	3600	JOHNS HOPKINS UNIVERSITY	W81XWH1020090 MOD03	3,460
12.420	3600	JOHNS HOPKINS UNIVERSITY (JHU)	PO# 2002478756 MOD01	15,126
12.420	3600	KAISER PERMANENTE	RNG200317-UW AM02	17,022
12.420	3600	MICHIGAN STATE UNIVERSITY	RC108014-UW	4,232
12.420	3600	NORTHERN CA INST FOR RESEARCH & EDUC	CHAO2022-01 AM01	61,445
12.420	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1008339_UWA	4,903
12.420	3600	UNIVERISITY OF ILLINOIS CHICAGO	16704-00	10,943
12.420	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8455 AM05	398,214
12.420	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8455SC AM03	116,393
12.420	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8455SC AM2	48,253
12.420	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9912SC AM01	32,058
12.420	3600	UNIVERSITY OF FLORIDA	UFDSP00010722 AM01	9,205
12.420	3600	UNIVERSITY OF MARYLAND COLLEGE PARK	61399-Z8524002	8,395
12.420	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003179988 AM03	17,984
12.420	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003179988 AM06	67,695
12.420	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003346129 AM03	8,882
12.420	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3004575805	39,185
12.420	3600	UNIVERSITY OF MINNESOTA	R01477 AM06	19,042
12.420	3600	UNIVERSITY OF UTAH	10033316	-25
12.420	3600	VIRGINIA COMMONWEALTH UNIVERSITY	PT108802-SC104833 AM05	4,692
12.420	3600	VIRGINIA COMMONWEALTH UNIVERSITY	PT108802-SC104833 AM08	114,248
12.420	3600	WAKE FOREST UNIVERSITY	WFUHS441002BGU02AM04	2,887

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12.420	3650	UNIVERSITY OF CALIFORN	8442SC	81,862
12.431	3600	FLORIDA STATE UNIVERSITY	R01884 AM01	44,506
12.431	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000934254	27,153
12.431	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	201301077-03 AM10	105,157
12.431	3600	UNIVERSITY OF CALIFORNIA SANTA BARBARA	KK1810 AM02	52,430
12.431	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003766303 AM02	6,949
12.431	3600	YALE UNIVERSITY	C13J11497CON80000020AM	21,822
12.431	3650	KS ST UNIV	S15216	50,418
12.431	3650	UNIV OF IL FED FLOW	20150616603	94,587
12.610	3600	*CENTER FOR NATURAL LANDS MANAGEMENT	WA-S-2014-015-3 AM03	15,992
12.630	3600	DIGITAL MFG DESIGN INNOVATION INSTITUTE	0220160028 AM02	531,179
12.630	6990	ALMMII	N000141420002	74,855
12.750	3600	GENEVA FOUNDATION	S-1342-01 MOD02	13,185
12.750	3600	HENRY M JACKSON FOUNDATION	3066/PO# 855072 MOD04	144,171
12.750	3600	HENRY M JACKSON FOUNDATION	3810 MOD 2 PO 904589	70,716
12.750	3600	HENRY M JACKSON FOUNDATION	3810 MOD 2 PO 904589	69,964
12.800	3600	*NORTHWESTERN UNIVERSITY	SP0022325PROJ0007154AM	206,737
12.800	3600	FLORIDA STATE UNIVERSITY	R01868 AM01	101,145
12.800	3600	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	5710004246	13,138
12.800	3600	STANFORD UNIVERSITY	60814399-114411 AM07	162,311
12.800	3600	STANFORD UNIVERSITY	61129790-119334 AM02	161,148
12.800	3600	STANFORD UNIVERSITY	61129790-119334 AM03	25,000
12.800	3600	UNIVERSITY OF NEW MEXICO	707824-874J AM04	298,693
12.800	3600	UNIVERSITY OF TEXAS AUSTIN	UTA15-001301 AM03	105,937
12.910	3600	RAYTHEON BBN	14544 MOD06	97,998
12.910	3600	TEXAS A&M RESEARCH FOUNDATION	28-M1702181 AM01	103,880
12.910	3600	TEXAS A&M UNIVERSITY	28-M1802338	19,247
12.910	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00572439OSP2016165MO	23,885

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12.910	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	67102239 AM02	555,817
12.910	3650	TX A&M UNIV FED	28M1702710	71,386
12.RD	3600	ADAPTIVE METHODS	3115-SC001, AMEND # 03	9,224
12.RD	3600	AIMDYN INC	PRIME HR0011-16-C-0116	188,096
12.RD	3600	AMERICAN BURN ASSOCIATION	W81XWH-11-1-0835 AM03	20,864
12.RD	3600	ARCHIEMD INC	UW639884	105,306
12.RD	3600	BAE SYSTEMS	930600-7	408,971
12.RD	3600	BLACK & VEATCH SPECIAL PROJECTS CORP	PROJECT042959PO170502	797,187
12.RD	3600	BOSTON ENGINEERING CORPORATION	UW662959	1,766
12.RD	3600	CARNEGIE MELLON UNIVERSITY	1990377-350157 AM06	6,040
12.RD	3600	CFD RESEARCH CORPORATION	9285SUBCONTRACT2016074	114,899
12.RD	3600	COLORADO STATE UNIVERSITY	G-01606-1	37,524
12.RD	3600	COLUMBIA UNIVERSITY	3(GG011207) AM03	260,702
12.RD	3600	CREARE INC	SUBCONTRACT # 89236	166,687
12.RD	3600	ENGILITY	HPTIDRCSUB2014PETTTUWT	20,715
12.RD	3600	ERC INC	PS150026 MOD04	92,325
12.RD	3600	GENERAL DYNAMICS LAND SYSTEMS - ROBOTICS	PO40301399TASKT2C2S1K	10,483
12.RD	3600	GENERAL DYNAMICS LAND SYSTEMS - ROBOTICS	PO40301399TASKT4C3S1J	38,203
12.RD	3600	HEAT, LIGHT & SOUND RESEARCH, INC.	N68335-17-C-0371	73,934
12.RD	3600	HONEYWELL INTERNATIONAL INC	PO #4207023728	141,738
12.RD	3600	HRL LABORATORIES LLC	15020-504519-DS	22,462
12.RD	3600	INTEGRATED MGMT ADOLESCENT	AM01	2
12.RD	3600	JOHNS HOPKINS UNIVERSITY	2002927679	4,733
12.RD	3600	JOHNS HOPKINS UNIVERSITY	CONTRACT132791MOD01	11,785
12.RD	3600	JOHNS HOPKINS UNIVERSITY	CONTRACT132791MOD02	32,230
12.RD	3600	JOHNS HOPKINS UNIVERSITY	PO # 138890	-433
12.RD	3600	JOHNS HOPKINS UNIVERSITY	PO # 138890 AM01	404
12.RD	3600	KITWARE INC	K000886-00-S06 MOD10	-6,941

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12.RD	3600	LOCKHEED MARTIN CORPORATION	PO 4102467283 AM05	50,543
12.RD	3600	LOCKHEED MARTIN CORPORATION	PO XS3606850E	-250
12.RD	3600	LOCKHEED MARTIN CORPORATION	PO# 4103296825 AM02	73,517
12.RD	3600	MATRIX RESEARCH INC	CRFR-009-02-01 MOD04	19,899
12.RD	3600	NATIONAL INSTITUTE OF BUILDING SCIENCES	NAVFACPROJ65TON6247017	115,446
12.RD	3600	NORTHROP GRUMMAN INFORMATION TECHNOLOGY	PO#2936118 CO02	7,560
12.RD	3600	OREGON STATE UNIVERSITY	RM119A-A AM03	106,967
12.RD	3600	PENNSYLVANIA STATE UNIVERSITY	S16-17 MOD02	21,531
12.RD	3600	PRYTIME MEDICAL DEVICES INC	W911QY15C0099SUB3AM01	203,998
12.RD	3600	QUEST INTEGRATED LLC	FIRST AMENDMENT	46,794
12.RD	3600	QUEST INTEGRATED LLC	PO# 9171	7,208
12.RD	3600	RAYTHEON BBN	BBN # 14775	78,998
12.RD	3600	RAYTHEON BBN	LBN9512876 MOD 9	120,175
12.RD	3600	SECURBORATION INC	SUB/TASK# SURF II AM03	-213
12.RD	3600	SOLUXRA LLC	AM05	28,340
12.RD	3600	SRA INTERNATIONAL INC	SRAS001407-01 MOD02	-4,876
12.RD	3600	SRI INTERNATIONAL INC	27-001450 MOD08	247,368
12.RD	3600	STOTTLER HENKE ASSOCIATION, INC.	CKM1STOTTLERHENKEUNIWA	38,089
12.RD	3600	SURVICE ENGINEERING COMPANY	S17-033001 MOD001	134,435
12.RD	3600	SYSTEM & TECHNOLOGY RESEARCH LLC	2016-1147 MOD01	140,223
12.RD	3600	SYSTEM & TECHNOLOGY RESEARCH LLC	2016-1147 MOD06	287,144
12.RD	3600	TASSO INC	UW630056	62,361
12.RD	3600	THE GENEVA FOUNDATION	S-10494-01	105,887
12.RD	3600	TIERRA DATA INC	SA18004	2,400
12.RD	3600	UNIVERSAL TECHNOLOGY CORP	17-8400-09-C1 MOD03	94,534
12.RD	3600	UNIVERSIDAD DE CONCEPCION	N00014-17-1-2606	16,295
12.RD	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1295-S-TA153 AM02	83,908

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12.RD	3600	UNIVERSITY OF CAMBRIDGE	AM01	57,594
12.RD	3600	UNIVERSITY OF HAWAII	MA1316 AM01	495,228
12.RD	3600	UNIVERSITY OF HAWAII	MA1400	38,498
12.RD	3600	UNIVERSITY OF MINNESOTA	N006060601 AM01	184,100
12.RD	3600	UNIVERSITY OF MINNESOTA	N006060604 AM01	1,119,299
12.RD	3600	UNIVERSITY OF YORK	R1567501	83,379
12.RD	3600	VCOM3D, INC	AFTTS-UW-002	48,864
12.RD	3600	VCOM3D, INC	AMM-MT-UW-001	42,668
12.RD	3600	VERITOX, INC./GT ENGINEERING	A121653	79,235
12.RD	3600	WYLE LABORATORIES	T72595 CO04	116,117
12.RD	3700	Kemron Environmental Services Inc	CH0042 W912DW17F2102	1,719
12.U14	3650	ENIG ASSOCIATES INC	0055ENIGWSU001	45,485
12.U15	3650	TUFTS UNIVERSITY	ARM212WSU	48,033
12.U16	3650	OPTO-KNOWLEDGE SYSTEMS	17082801	37,500
12.U17	3650	PORTLAND ST UNIV	207LUCS95	110,130
12.U18	3650	CARY INSTITUTE	3323200201841	72,008
12.U19	3650	VA TECH UNIV	45052819276	19,904
12.U20	3650	CH2M HILL INC	950621	63
12.U23	3650	UNIFORMED UNIV HEALTH	HU0001161TS01	119,133
12.U24	3650	LEIDOS ENGINEERING LLC	TASKORDERRELEASE001	12,601
14.239	1480	City of Bellingham	PBEL2018	110,000
14.239	1480	Pierce County	HAPC2018	29,800
14.323	1480	Neighborworks	EHLP GRANT	124,448
14.536	3600	DEPAUL UNIVERSITY	501248SG142	30,105
14.RD	3600	HEALTHY HOUSING SOLUTIONS, INC.	HHSI-17-S-1004	8,207
15.036	3800	Nooksack Indian Tribe	16-6-55	45,422
15.232	3600	UNIVERSTIY OF IDAHO	GTK601-SB-002 AM01	169,193
15.232	3600	UTAH STATE UNIVERSITY	200588-00001-323	2,531

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
15.232	3650	UNIVERSITY OF CA-RIV	S000769	34,982
15.423	3600	UNIVERSITY OF ALASKA FAIRBANKS	UAF 18-0058	52,699
15.605	4770	Pacific States Marine Fisheries Commission	18-121G	5,550
15.615	3600	CNMI DEPART OF LAND & NATURAL RESOURCES	606610-OM	21,529
15.615	3600	MARIANA ISLANDS DEPT OF LANDS & NAT RES	438401	700
15.615	3600	MARIANA ISLANDS DEPT OF LANDS & NAT RES	629463-OM AM01	307,778
15.634	4770	Idaho Dept of Fish and Game	IDFW-FY18-198	8,129
15.634	4770	Western Assoc of Fish & Wildlife Agencies	Agreement	23,479
15.657	3600	CENTER FOR NATURAL LANDS MANAGEMENT	WA-S-2015-052-0	-78
15.657	3760	FISH & WILDLIFE	18-09956	13,479
15.657	4770	Wildlife Management Institute	White Nose Syndrome Sm	666
15.663	4770	National Fish & Wildlife Foundation	0103.13.040396	15,355
15.820	3600	OREGON STATE UNIVERSITY	GS240B-B AM09	-5,920
15.820	3650	OR ST UNIV FED	GS343AA	5,335
15.RD	3600	AEROJET ROCKETDYNE	200082121 MOD01	52,934
15.RD	3600	DEPARTMENT OF FISH AND WILDLIFE	P1780001	64,311
15.RD	3600	NATIONAL FISH AND WILDLIFE FOUNDATION	2100.16.051829	35,739
15.RD	3600	SRI INTERNATIONAL	PO18258	35,282
15.RD	3600	SRI INTERNATIONAL	PO18258 MOD02	247,023
15.U05	3650	COLVILLE CONFEDERATED	31201711	73,677
15.U07	3650	COLUMBIA RIVER INTER	C1711	45,801
15.U08	3650	COLVILLE CONFEDERATED	C17289	14,516
15.U09	3650	COLVILLE CONFEDERATED	WSU003670	11,426
16.540	3600	PENNSYLVANIA COMMISSION ON CRIME	2011/2013-J-03-26108	5,012
16.560	3600	KING COUNTY	UW664160	33,088
16.560	3600	PUGET SOUND EDUCATIONAL SERVICE DISTRICT	09904	77,811
16.560	3600	PUGET SOUND EDUCATIONAL SERVICE DISTRICT	10386 AM01	55,963
16.560	3650	PA ST UNIV FED FLOW	4972WSUNIJ0055	14,272

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16.609	3600	WA ASSOC OF SHERIFFS AND POLICE CHIEFS	PSN-2015-003	9,413
16.726	3650	NAT'L 4-H CNCL	2015JUFX0015	-451
16.726	3650	NAT'L 4-H CNCL	2016JUFX0022	157,592
16.730	3650	RAND CORP	9920110126	208
16.U02	3650	NAT'L 4-H CNCL	2017JUFX0016	17,996
17.258	6990	Workforce Central	2018-WIOA	7,743
17.258	6990	Workforce Snohomish	17-201-UPS	8,816
17.259	6990	Workforce Development Council of Snoh. Cnty	16EDCCX291-YOUTH	24,256
17.259	6990	Workforce Snohomish	16-EVCC-X-310-Youth	3,486
17.259	6990	Workforce Snohomish	16-EVCC-X-320-Youth	45,198
17.259	6990	Workforce Snohomish	17-EVCC-X-335-Youth	31,872
17.268	6990	WA Dept of L&I	K3531	174,566
17.274	6990	Tacoma Goodwill	YB-21734-11-60-A-53	12,040
17.277	6990	Pacific Mountain Workfoce Development	C2C-SSC-AP-P17	36,120
17.278	3600	WORKFORCE DEVELOPMENT COUNCIL	16/223-SSC	566
17.282	3650	CENTRALIA COLLEGE	WSU003779	17,790
17.282	6990	Centralia College	TC 26512-14-60-A-53	329,615
19.021	3650	WORLD LEARNING INC	S01SIZ10016CA008	74,125
19.021	3650	WORLD LEARNING INC	S11SIZ10016CA008	15,969
19.029	3600	JSI RESEARCH & TRAINING INST, INC	37188-1064 MOD03	775,016
19.029	3600	JSI RESEARCH & TRAINING INST, INC	37188-1064 MOD04	1,008,817
19.040	3700	Fundacion Universitaria Juan N Corpas	!00K292COL11	43,088
19.RD	3600	INTEGRA LLC	FAA3/UOW/2016 MOD05	219,860
19.RD	3600	MAKING CENTS INTERNATIONAL INC	401UW MOD04	20,950
19.RD	3600	PATH	ORC11640200529697CRTAM	10,317
20.200	3600	NATIONAL ACADEMIES OF SCIENCES	HR1091AMOD01SUB0000932	158,066
20.200	3600	TEXAS A&M TRANSPORTATION INSTITUTE	12-M1702362 AM01	75,000
20.205	3650	ID DEPT OF TRANSPORT	WSU201601	1,522

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20.205	3650	MINNESOTA DEPT TRANS	06910	1,217
20.205	3650	MINNESOTA DEPT TRANS	1001326	44,200
20.600	3700	Colville Confederated Tribes	Consulting Contract	9,790
20.616	3760	WA.TRAFFIC SAFETTY COMM.	2018 HVE-2451	1,349
20.701	3600	ARIZONA STATE UNIVERSITY	17175AM02PTE69A3551747	41,618
20.701	3600	NEW YORK UNIVERSITY	F8741-03	72,793
20.701	3600	NEW YORK UNIVERSITY	F8741-03 AM 01	108,775
20.701	3600	UNIVERSITY OF ALASKA FAIRBANKS	UAF18005469A3551747129	153,128
20.701	3650	UNIV OF AK FAIRBANKS	AUF140103	21,024
20.701	3650	UNIV OF AK FAIRBANKS	UAF140103	285,712
20.701	3650	UNIV OF N CAROLINA-CHA	2016068804WSU	121,746
20.701	3700	Montana State University	G227-17-W6460 Amend 1	132,522
20.RD	3600	APPLIED RESEARCH ASSOCIATES INC	S-002234-UW-00 MOD06	16,319
20.RD	3600	CAMBRIDGE SYSTEMATICS INC	008500 TO.012 MOD03	51,197
20.RD	3600	CAMBRIDGE SYSTEMATICS INC	008742.007	-40
20.RD	3600	CAMBRIDGE SYSTEMATICS INC	008742.007 AM02	112,455
20.RD	3600	ENO CENTER FOR TRANSPORTATION	UW668314	5,313
20.RD	3600	KING COUNTY EXECUTIVE	5909229	8,277
20.RD	3600	LEIDOS	P010192645 MOD 1	39,549
20.RD	3600	RD MINGO AND ASSOCIATES	UW664604	781
20.RD	3600	RESOURCE SYSTEMS GROUP INC	RSGPROJECT14205MOD02	14,712
20.RD	3600	RESOURCE SYSTEMS GROUP INC	UW665310	91,001
20.RD	3600	RESOURCE SYSTEMS GROUP INC	UW666029	90,999
20.RD	3600	WESTAT INC	8928S008TASKORDER13MOD	-493
20.U02	3650	VA TECH UNIV	45138519276	305,868
20.U03	3650	NAT'L ACADEMIES	HR1305	106,060
21.U02	1480	Neighborworks	PL113-76X1350	11,580
21.U02	1480	Neighborworks	PL114-113X1350	28,107

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43.001	3600	*SMITHSONIAN ASTROPHYSICAL OBSERVATORY	G05-16085X AM01	24,414
43.001	3600	*SMITHSONIAN ASTROPHYSICAL OBSERVATORY	GO4-15088X AM02	-4,920
43.001	3600	*UNIVERSITY CORP FOR ATMOSPHERIC RSCH	Z15-20864 MOD03	19,809
43.001	3600	CLARK UNIVERSITY	2NO48-7531 AM04	76,480
43.001	3600	COLUMBIA UNIVERSITY	1 (GG008879) AM05	-569
43.001	3600	COLUMBIA UNIVERSITY	1GG013115PTENNX17AH04G	12,969
43.001	3600	DARTMOUTH COLLEGE	510 AM17	4,178
43.001	3600	GEORGIA TECH RESEARCH CORPORATION	RE906-G1 AM02	7,869
43.001	3600	HARVARD UNIVERSITY	130785-5060310 AM07	28,778
43.001	3600	JET PROPULSION LABORATORY	1570105	50,000
43.001	3600	JET PROPULSION LABORATORY	1570694 MOD01	31,929
43.001	3600	JET PROPULSION LABORATORY	1572151	28,565
43.001	3600	JET PROPULSION LABORATORY	1575878 MOD03	22,206
43.001	3600	JET PROPULSION LABORATORY	1585857	25,886
43.001	3600	JET PROPULSION LABORATORY	RSA # 1589798 MOD01	33,870
43.001	3600	JET PROPULSION LABORATORY	RSA NO. 1578895 MOD01	194,881
43.001	3600	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	102546 AM01	65,306
43.001	3600	NORTHWEST RESEARCH ASSOCIATES INC	NWRA-17-S-191 MOD01	5,058
43.001	3600	SMITHSONIAN ASTROPHYSICAL OBSERVATORY	AR8-19006X	37,899
43.001	3600	SMITHSONIAN ASTROPHYSICAL OBSERVATORY	GO7-18101A	24,124
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-14283.001-A	40,961
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-14325.001-A	2,151
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-14560.003-A	4,099
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-14563.002-A	5,695
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-14575.001-A	26,266
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-15020.007-A	4,789
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-15046.001-A	48,912
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-13461.001-A	2

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-13807.001-A	12,179
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14102.004-A	68
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14140.006-A	108
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14173.004-A	1,560
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14610-001-A	47,759
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14675.009-A	21,448
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14779.001-A	45,656
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14784.003-A	6,031
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14786.001-A	3,161
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14912.002-A	398
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-15275.009-A	2,785
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR13882001AAM01	11,920
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR13901005AAM02	19,328
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR14281002AAM02	16,937
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR14288001AAM02	1,206
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR14307002AAM01	1,095
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR15013004AAM01	26,232
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO13515002AAM02	8,601
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO13659002AAM01	23,091
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO13709001AAM02	-322
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO13710002AAM02	4,424
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO13768009AAM03	11,920
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO13857001AAM01	17,636
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO15314003AAM03	67,873
43.001	3600	UNIVERSITY CORP FOR ATMOSPHERIC RESEARCH	SUBAWD000410	109,115
43.001	3600	UNIVERSITY OF ARIZONA	366620 MOD01	20,838
43.001	3600	UNIVERSITY OF ARIZONA	408899 AM01	71,989
43.001	3600	UNIVERSITY OF CALIFORNIA DAVIS	A15-0060-S001	25,200

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
43.001	3600	UNIVERSITY OF CALIFORNIA IRVINE	2017-3519	3,887
43.001	3600	UNIVERSITY OF CALIFORNIA SANTA CRUZ	A00-0983-S001	8,361
43.001	3600	UNIVERSITY OF COLORADO DENVER	1552357 PO# 1000454039	1,911
43.001	3600	UNIVERSITY OF COLORADO DENVER	1552357MOD03PO10004540	55,538
43.001	3600	UNIVERSITY OF FLORIDA	UFDSP00011385 AM01	8,131
43.001	3600	UNIVERSITY OF HAWAII	MA1314	395
43.001	3600	UNIVERSITY OF HAWAII	MA1314 AM01	3,493
43.001	3600	UNIVERSITY OF HAWAII	MA140040/MA1035 AM05	166,773
43.001	3600	UNIVERSITY OF HOUSTON	R160069PTENNX16AN35GAM	60,993
43.001	3600	UNIVERSITY OF MAINE	UMS-965 AM04	3,232
43.001	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3004919118	3,962
43.001	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101125	-27
43.001	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101240 AM05	33,028
43.001	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101250 AM02	30,694
43.001	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101283 AM02	27,429
43.001	3600	YALE UNIVERSITY	C17N12702CON80000156AM	58,165
43.001	3650	CORNELL UNIV	627619776	16,044
43.001	3650	JOHNS HOPKINS UNIV	128802	13,435
43.001	3650	SPACE TELESCOPE SCI	HSTG014141001A	16,296
43.001	3760	Blue Marble Space	bmssa-002	18,600
43.001	3800	Arizona State University	15-710	20,398
43.001	3800	Jet Propulsion Lab	1546127	29,686
43.001	6990	University of Washington	NNX15AJ98HS000003	16,507
43.002	3600	BAYLOR COLLEGE OF MEDICINE	NCC9-58-50	-560
43.007	3650	UNIV OF KENTUCKY REO	320000109817193	105,399
43.008	6990	UNIVERSITY OF WASHINGTON	IT60	0
43.RD	3600	*JET PROPULSION LABORATORY	SC#1526158 MOD03	11,408
43.RD	3600	*JET PROPULSION LABORATORY	SC#1526158 MOD05	146,219

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43.RD	3600	BOEING COMPANY	1475635	84,636
43.RD	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY (CALTECH)	1520171	27,979
43.RD	3600	JET PROPULSION LABORATORY	1303809 MOD26	46,125
43.RD	3600	JET PROPULSION LABORATORY	1318945 MOD24	174,965
43.RD	3600	JET PROPULSION LABORATORY	1506559 MOD03	14,315
43.RD	3600	JET PROPULSION LABORATORY	1542830 MOD05	210,329
43.RD	3600	JET PROPULSION LABORATORY	1555656	27,686
43.RD	3600	JET PROPULSION LABORATORY	1583665	121,570
43.RD	3600	JET PROPULSION LABORATORY	1586145 MOD02	24,700
43.RD	3600	JET PROPULSION LABORATORY	1587724	3,325
43.RD	3600	JET PROPULSION LABORATORY (JPL)	1529015	27,824
43.RD	3600	JET PROPULSION LABORATORY (JPL)	1557414 MOD01	30,972
43.RD	3600	JET PROPULSION LABORATORY (JPL)	1585843	49,954
43.RD	3600	JOHNS HOPKINS UNIVERSITY	2003281677 AM 1	7,333
43.RD	3600	M4 ENGINEERING	#A121581	136,660
43.RD	3600	MALIN SPACE SCIENCE SYSTEMS INC	12-0233 MOD07	211,205
43.RD	3600	MSNW LLC	AMENDMENT 1	20,432
43.RD	3600	SCIENTIFIC SYSTEMS COMPANY INC	1608 MOD01	32,838
43.RD	3600	SCIENTIFIC SYSTEMS COMPANY INC	1636-UW	34,102
43.RD	3600	SCIENTIFIC SYSTEMS COMPANY INC.	1609-UWAL PH2-X - PH3	3,149
43.RD	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-12055.01-A AM09	106,074
43.RD	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14072.007-A	10,623
43.RD	3600	STANFORD UNIVERSITY	PY24261-22727-D AM31	52,718
43.RD	3600	SYSTIMA TECHNOLOGIES INC	PO# 48654.1	60,897
43.RD	3600	ZIN TECHNOLOGIES, INC.	SPACEDOC-2 2017-001	36,799
43.U01	3650	CA INST OF TECH JET	1523347	4,144
43.U02	3650	CA INST OF TECH JET	1548988	108,822

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43.U03	3650	CA INST OF TECH JET	1592973	64,576
43.U04	3650	AETOS SYSTEMS INC	20019G02001335TA24	3,709
43.U05	3700	Assn of Universities for Research in Astronomy	HST-AR-13880.004-A	33,212
45.025	3650	WESTERN STATE ARTS FED	TW20130182	1
45.025	3650	WESTERN STATE ARTS FED	TW20130217	1
45.025	3650	WESTERN STATE ARTS FED	TW201400173	1
45.025	3650	WESTERN STATE ARTS FED	TW201400236	101
45.025	3650	WESTERN STATE ARTS FED	TW201500073	6
45.025	3650	WESTERN STATE ARTS FED	TW201600175	5
45.025	3650	WESTERN STATE ARTS FED	TW20170227	2,250
45.129	3650	HUMANITIES WA	4873GWSF17	3,084
47.041	3600	BLUHAPTICS INC	UW635063	61,702
47.041	3600	BOYDSTON CHEMICAL INNOVATIONS, INC	UW668076	10,798
47.041	3600	CARNEGIE MELLON UNIVERSITY	1122191-379633 AM01	17,738
47.041	3600	ENTOX SCIENCES	UW663965	37,705
47.041	3600	HARVARD UNIVERSITY	124050-5104118 AM01	82,281
47.041	3600	LULA ROBOTICS INC	UW635197	469
47.041	3600	MICROHAOPS INC	A126254	28,584
47.041	3600	OREGON STATE UNIVERSITY	S1738A-A AM03	52,358
47.041	3600	SOROS INC	UW OSP #A110020	1,454
47.041	3600	SYRACUSE UNIVERSITY	2825004301S07AM0115365	3,444
47.041	3600	UNIVERSITY OF ARIZONA	340812 AM1	92,244
47.041	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00009375 AM02	154,895
47.041	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	0190 G SA465	149,602
47.041	3600	UNIVERSITY OF CALIFORNIA, DAVIS	A16-0090-S001	30,265
47.041	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	077966-15619 AM03	25,650
47.041	3600	UNIVERSITY OF IOWA	1001434807	15,182
47.041	3600	UNIVERSITY OF SOUTHERN MISSISSIPPI	2016-01-PM-USM	31,405

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47.041	3600	UNIVERSITY OF SOUTHERN MISSISSIPPI	2016-05-EP-USM	13,200
47.041	3600	UNIVERSITY OF TEXAS AUSTIN	UTA14-000587 AM03	9,695
47.041	3600	UNIVERSITY OF TEXAS AUSTIN	UTA15-000857 AM02	69,707
47.041	3600	VIRGINIA POLYTECHNIC INST AND STATE UNIV	479852-19124 MOD01	92,491
47.041	3600	WOMEN IN ENGINEERING PROACTIVE NETWORK	EEC-144507 AM03	42,976
47.041	3650	PURDUE UNIV	410151649	-199
47.041	3650	UNIV OF MI	3003760323	37,370
47.041	3650	UNIV OF TN FED FLOW	A120044S007	46,741
47.041	3800	Grow Plastics	RSP-15040	17,106
47.041	6990	N. Carolina A&T State University	260118A	6,316
47.049	3600	AURA INC	N51948C AM04	3,262,496
47.049	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	751098361PHY0757058PRI	153,091
47.049	3600	CORNELL UNIVERSITY	7850410756AM01DMR16293	100,131
47.049	3600	EMORY UNIVERSITY	T663470 AM04	-3,436
47.049	3600	EMORY UNIVERSITY	T849870	64,969
47.049	3600	MATHEMATICAL ASSOCIATION OF AMERICA	PRIME DMS-1345499	477
47.049	3600	MICHIGAN STATE UNIVERSITY	RC104177UW AM03	241,908
47.049	3600	RESEARCH & SPONSORED PROGRAMS ACCOUNTING	202054 AM05	1,773
47.049	3600	SYRACUSE UNIVERSITY	27418-03741-S01	13,571
47.049	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00008651 AM02	-3,675
47.049	3600	UNIVERSITY OF CALIFORNIA BERKELEY	0009390 AM01	139,769
47.049	3600	UNIVERSITY OF CALIFORNIA, MERCED	E256GV A018	16,815
47.049	3600	UNIVERSITY OF NEBRASKA LINCOLN	(PRIME 1649365)	2,100
47.049	3600	UNIVERSITY OF NOTRE DAME	PHY-1219444	1,857
47.049	3600	UNIVERSITY OF PENNSYLVANIA	573250	64,869
47.049	3600	UNIVERSITY OF TEXAS RIO GRAND VALLEY	1505861(01)	9,022
47.049	3600	UNIVERSITY OF WISCONSIN MILWAUKEE	183405376 AM01	6,245

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
47.049	3600	YALE UNIVERSITY	C14D11736(D01999)AM01	48,115
47.049	3600	YALE UNIVERSITY	C14D11736(D01999)AM03	88,578
47.049	3750	MATHEMATICAL ASSOCIATION OF AMERCIA	3-8-710-890	2,885
47.049	3800	Lowell Observatory	2018-74803	3,656
47.050	3600	*ARIZONA STATE UNIVERSITY	14386AM03PRNSF1338810	123,683
47.050	3600	*CONSORTIUM FOR OCEAN LEADERSHIP INC	SA 9-09	10,027,946
47.050	3600	*CONSORTIUM FOR OCEAN LEADERSHIP INC	SA 9-09 MOD 50	-8,793
47.050	3600	*CONSORTIUM FOR OCEAN LEADERSHIP INC	SA 9-09 MOD 58	279,254
47.050	3600	*CONSORTIUM FOR OCEAN LEADERSHIP INC	SA 9-09 MOD 60	2,868,097
47.050	3600	*CONSORTIUM FOR OCEAN LEADERSHIP INC	SA 9-09 MOD 64	13,699
47.050	3600	*CONSORTIUM FOR OCEAN LEADERSHIP INC	SA 9-09 MOD 65	39,445
47.050	3600	*OREGON HEALTH & SCIENCE UNIVERSITY	GSTCN0106S2 AM08	1,268
47.050	3600	*OREGON HEALTH & SCIENCE UNIVERSITY	GSTCN0106S2 AM10	1,319
47.050	3600	ARIZONA STATE UNIVERSITY	18-352	137,345
47.050	3600	COLORADO STATE UNIVERSITY	G-3624-12 AM06	-87
47.050	3600	COLUMBIA UNIVERSITY	20(GG009393)AM02	22,827
47.050	3600	COLUMBIA UNIVERSITY	20B(GG009393) AM02	10,204
47.050	3600	COLUMBIA UNIVERSITY	20C(GG009393) AM01	45,952
47.050	3600	DUKE UNIVERSITY	14-NSF-1031 AM03	12,241
47.050	3600	INCORPORATED RSCH INST FOR SEISMOLOGY	07-UWA-SAGE AM05	57,899
47.050	3600	LOUISIANA STATE UNIVERSITY	97578 AM001	69,204
47.050	3600	NEW YORK INSTITUTE OF TECHNOLOGY	EAR-1325457-UW-1	281
47.050	3600	PRINCETON UNIVERSITY	SUB0000005 AM06	530,269
47.050	3600	PRINCETON UNIVERSITY	SUB0000005 AM07	297,079
47.050	3600	STANFORD UNIVERSITY	61125317-112715 AM01	8,959
47.050	3600	UNIVERSITY CORP FOR ATMOSPHERIC RESEARCH	SUBAWD000130 MOD01	55,806
47.050	3600	UNIVERSITY CORP FOR ATMOSPHERIC RESEARCH	Z1621925MOD02PAGS15410	29,724
47.050	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	55591530 AM03	28,008

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
47.050	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	80326143 AM01	103,039
47.050	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	91566589	1,547
47.050	3600	UNIVERSITY OF CALIFORNIA SANTA BARBARA	KK1641 AM02	23,414
47.050	3600	UNIVERSITY OF MINNESOTA	A003176715AM011246761	43,163
47.050	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101293 AM01	162,579
47.050	3650	AUSTIN COMMUNITY COL	WSU003361	9,782
47.050	3650	NORTHWEST RESEARCH ASS	NWRA17S195	237
47.050	3650	PRINCETON UNIV	SUB0000169	35,594
47.050	3650	UNIV OF ID FED	IBK289SB001	304,676
47.050	3750	UNAVCO	S10-EAR1261833-S2	137,330
47.050	3750	UNAVCO	S16-ICER1639709-S2	39,919
47.050	3800	Columbia University	53(GG009393)	12,162
47.050	3800	Columbia University	53(GG09393) PO G11792	13,421
47.050	3800	Consortium for Ocean Leadership	T350A77/BA-77	440
47.050	3800	Macalester College	217059WWU-YR2	4,231
47.070	3600	*COMPUTING RESEARCH ASSOCIATION	POSTDOC002	39,575
47.070	3600	*COMPUTING RESEARCH ASSOCIATION	POSTDOC002 AM002	109,529
47.070	3600	*UNIVERSITY OF COLORADO DENVER	1549807 MOD06	153,044
47.070	3600	*UNIVERSITY OF MARYLAND COLLEGE PARK	27338-Z4338001 AMB	60,886
47.070	3600	*UNIVERSITY OF MARYLAND COLLEGE PARK	27338Z4338001AMAIIS144	5,542
47.070	3600	CARNEGIE MELLON UNIVERSITY	1122507-379498	101,861
47.070	3600	MOLECULAR SCIENCES SOFTWARE INSTITUTE	UW800001	31,018
47.070	3600	STROUD WATER RESEARCH CENTER	340051-55900 MOD02	101,677
47.070	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	91563015	85,668
47.070	3600	UNIVERSITY OF COLORADO DENVER	1556133	47,324
47.070	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	020016-16462	39,898
47.070	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	SUBAWARD #15829	9,604
47.070	3600	UNIVERSITY OF MARYLAND COLLEGE PARK	56086-Z4322002 AM A	14,914

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
47.070	3600	UNIVERSITY OF MINNESOTA	A006581303	28,585
47.070	3600	UTAH STATE UNIVERSITY	201242-480	18,180
47.070	3600	VIRGINIA POLYTECHNIC INST AND STATE UNIV	47958919124PRIMEACI154	29,105
47.070	3650	CLEMSON UNIVERSITY	19062062011806	60,257
47.070	3650	MI ST UNIV FED FLOW	RC104385WSU	2,896
47.070	3650	OR ST UNIV FED	Z0051A-B	36,269
47.070	3800	Worcester Polytechnic Institute	15-203230-00-00	42,950
47.074	3600	ARIZONA STATE UNIVERSITY	17-025 (1616821)	82,201
47.074	3600	BOYCE THOMPSON INSTITUTE FOR PLANT RSCH	14-02 AM02	253,184
47.074	3600	DUKE UNIVERSITY	333-2379	58,092
47.074	3600	MICHIGAN STATE UNIVERSITY	61-2075UW AM03	7,916
47.074	3600	MICHIGAN STATE UNIVERSITY	61-2075UW AM06	9,476
47.074	3600	MICHIGAN STATE UNIVERSITY	61-2075UW AM12	9,402
47.074	3600	MICHIGAN STATE UNIVERSITY	612075UW AM16	38,660
47.074	3600	MICHIGAN STATE UNIVERSITY	612075UW AM18	396,472
47.074	3600	OREGON STATE UNIVERSITY	S1713A-A AM03	6,738
47.074	3600	UNIVERSITY OF ALASKA SOUTHEAST	J20161-1557186 AM01	1,683
47.074	3600	UNIVERSITY OF MISSOURI COLUMBIA	C00050974-2	114,204
47.074	3600	UNIVERSITY OF TOLEDO	F-2017-140 AM01	67,322
47.074	3650	LOYOLA MARYMOUNT UNIV	17014S1	121,910
47.074	3650	NATL CTR FOR GENOME RE	20171	173,057
47.074	3750	UNIVERSITY OF GEORGIA	RR167-627/S000812	63,653
47.074	3800	University of Alaska	UAF 18-0059/PO521291	95,498
47.075	3600	CARNEGIE MELLON UNIVERSITY	1122280-355037 AM02	14,386
47.075	3600	JOHNS HOPKINS UNVERSITY	2003471317	12,039
47.075	3600	SYRACUSE UNIVERSITY	28896-04459 SO1 AM01	31,387
47.075	3600	UNIVERSITY OF MASSACHUSETTS	13007301A02PO000134381	6,262
47.075	3650	SANTA FE INSTITUTE	SFI20160914	42,695

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
47.076	3600	ASSOCIATION OF SCIENCE-TECHNOLOGY CENTER	DRL-1612739 MOD01	73,544
47.076	3600	ASSOCIATION OF SCIENCE-TECHNOLOGY CENTER	DRL-1612739 MOD03	168,913
47.076	3600	COUNCIL OF GRADUATE SCHOOLS	UW661728	11,423
47.076	3600	FRANKLIN INSTITUTE SCIENCE MUSEUM	NSF DRL-1223730	7,740
47.076	3600	IOWA CHILDREN'S MUSEUM	UW630875	82,278
47.076	3600	MATHEMATICAL ASSOCIATION OF AMERICA	3-8-710-890	10,513
47.076	3600	MEDICAL UNIVERSITY OF SOUTH CAROLINA	MUSC13-081 AM07	11,609
47.076	3600	NORTHWESTERN UNIVERSITY	SP0027430PROJ0007182AM	48,976
47.076	3600	OREGON STATE UNIVERSITY	S1666A-A AM04	60,491
47.076	3600	PACIFIC SCIENCE CENTER FOUNDATION	2015-1287E	3,074
47.076	3600	SEATTLE UNIVERSITY	21-0-1-488070-01	2,611
47.076	3600	STANFORD UNIVERSITY	61462251-126900 AM01	92,257
47.076	3600	TEACHING CHANNEL	2016-01	-89,547
47.076	3600	TEACHING CHANNEL	2017-01	448,234
47.076	3600	UNIVERSITY OF COLORADO DENVER	1554145 MOD01	204,442
47.076	3600	UNIVERSITY OF COLORADO DENVER	1554735 AM01	21,288
47.076	3600	UNIVERSITY OF MARYLAND BALTIMORE COUNTY	0000014299DUE1356440AM	2,900
47.076	3600	VANDERBILT UNIVERSITY	UNIV 58757 AM05	19,835
47.076	3650	AMERICAN ASSOC COMMUNI	13890001	838
47.076	3650	AUSTIN COMMUNITY COL	WSU003308	25,293
47.076	3650	BELLEVUE COMMUN COLL	WSU003046	6,667
47.076	3650	FINGER LAKES COMM COL	CCURIYEARII20162017	3,363
47.076	3650	KENTUCKY COMMUNITY TEC	KCTPS715	14,220
47.076	3650	S SEATTLE COMM COLL	502391	8,552
47.076	3650	SAN DIEGO STATE UNIV	SA0000521	25,275
47.076	3750	CARLETON COLLEGE	DUE-1125331	18,162
47.076	3800	Salish Bootenai College	NSF AWARD NO> 1102362	9,081
47.076	6990	CWU NSF SOLVER	1304405	31,158

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47.076	6990	Purdue University	1700674	29,482
47.076	6990	Sinclair Comm. College T	DUE 1304405	31,158
47.076	6990	Tennessee Tech	1601587	22,226
47.076	6990	UWLSAMP	1356479-1	22,183
47.076	6990	WISCONSIN	1T3A	46,549
47.076	6990	Yakima Valley College	19-010	45,795
47.079	3600	OREGON STATE UNIVERSITY	S1315A-C AM08	50,158
47.079	3600	UNIVERSITY OF CHICAGO	FP065300-C	9,183
47.079	3650	US CIVILIAN RSCH & DEV	OISE16627650A	19,638
47.080	3600	UTAH STATE UNIVERSITY	120082-00001-286 AM01	12,281
47.083	3800	Univ of Southern Calif Office of Integrative Activiities	PO 10561844 #88624292	21,264
47.RD	3600	CARLETON COLLEGE	UW662320	41,225
47.RD	3600	MICROHAOPS INC	AM01	-3,263
47.U03	3650	CARNEGIE MELLON UNIV	1123272-390398	11,357
47.U04	3650	BIENA TECH LLC	1648922	47,522
47.U05	3650	UNIVERSITY OF ROCHESTE	415909G	29,222
66.034	3760	ORCAA	01J41301	5,714
66.203	3700	Rural Community Assistance Corp	EPA EFC/E165 Task #1,2	33,540
66.469	3600	UNIVERSITY OF TOLEDO	F-2017-133 AM01	47,364
66.469	3600	UNIVESITY OF TOLEDO	F-2017-132 AMO2	117,409
66.509	3600	CARNEGIE MELLON UNIVERSITY	1080358-364871 AM02	21,098
66.509	3600	CARNEGIE MELLON UNIVERSITY	1080358-364872 AM01	37,538
66.509	3600	CARNEGIE MELLON UNIVERSITY	1080358-364874 AM02	106,672
66.509	3600	CARNEGIE MELLON UNIVERSITY	1080358-364876 AM02	216,099
66.509	3600	CARNEGIE MELLON UNIVERSITY	1080358-364925 AM02	17,182
66.509	3600	UNIVERSITY OF NEW MEXICO	3RAW5 AM02	9,310
66.509	3650	HARVARD UNIV	1125215081534	48,078
66.509	3800	Harvard University	112521-5081532	49,086

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66.511	3600	HEALTH EFFECTS INSTITUTE	4945-RFA13-1/14-6	-45,249
66.700	3650	COEUR D'ALENE TRIBE LA	OGRD126461	-17
66.716	3650	EXTENSION FNDN	SA201723	24,471
66.RD	3600	ENVIRONMENTAL MANAGEMENT SUPPORT INC.	13-601/303/PO-01	-1
66.RD	3600	NORTH AMERICAN DEVELOPMENT BANK	TAA18-003	6,853
66.U01	3650	ZILA WORKS LLC	132958001	35,018
81.049	3600	EAGLE HARBOR TECHNOLOGIES INC	UW664900	17,467
81.049	3600	KRELL INSTITUTE	UW802121	22,968
81.049	3600	MONTANA STATE UNIVERSITY	G140-15-W5072 AM03	188,748
81.049	3600	UNIVERSITY OF COLORADO DENVER	1553756 MOD02	121,914
81.049	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	001035-7980 AM05	134,219
81.049	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	085587-16359	55,750
81.049	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	20030705905A6929AM04	65,282
81.049	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5108338	4,321
81.049	3600	UNIVERSITY OF OKLAHOMA	2018-32	26,450
81.049	3600	WOODRUFF SCIENTIFIC INC	UW637066	-3,102
81.049	3650	DONALD DANFORTH PL	23009WS	80,448
81.049	3650	DONALD DANFORTH PL	23021W	60,212
81.049	3650	DONALD DANFORTH PL	DDPSC21705WS	-10
81.049	3650	MT ST UNIV - BOZEMA	G11517W6230	99,278
81.049	3650	MT ST UNIV - BOZEMA	G12318W5072	104,385
81.049	3650	NEI CORPORATION	12912001	-431
81.049	3650	UNIV CA - MERCED	E252GTA349	111,465
81.049	3650	UNIV OF ID FED	BJKQ05SB001	103,226
81.049	3650	UNIV OF MN FED FLOW	A003127004	40,851
81.049	3650	UNIV OF NE FED	2512150123011	186,866
81.049	3650	UNIV OF NM	740058874P	80,101
81.086	3600	CITY OF SEATTLE	OSE-16-54	33,864

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81.086	3600	GROUP14 TECHNOLOGIES	AM01	57,683
81.086	3650	BUILDING SCIENCE	130540001	28,280
81.086	3650	UNIV OF CENTRAL FL	20126127	-3,928
81.086	3700	Kallispel Indian Community of the Kallispel Reservation WA	C72418,71839,75844,744	159,857
81.087	3600	*OREGON STATE UNIVERSITY	G0152A-B AM05	241,567
81.087	3600	CORRIM	1010	129,591
81.087	3600	HUMBOLDT STATE UNIVERSITY	PO# 0007101424 AM3	57,529
81.087	3600	UNIVERSITY OF HAWAII	MA140025 AM03	35,833
81.087	3650	CO SCHOOL OF MINES GOL	4010115801	44,275
81.087	3650	PORT OF BENTON	WSU002046	-7,821
81.087	3650	TEXAS A&M AGRILIFE	06S170616	93,498
81.087	3800	Electric Power Research Institute	PO 4700002553	3,622
81.089	3600	LG FUEL CELL SYSTEM INC	LGFCS US DE-FE0023337	53,931
81.089	3600	UNIVERSITY OF TEXAS AUSTIN	UTA17-000308 AM02	26,481
81.089	3650	GHD	132086001	49,469
81.106	2250	Western Governors Association	K13042-TWX5	95,243
81.112	3650	CARNEGIE INSTITUTION	41046923	52,844
81.112	3650	UNIV OF NOTRE DAME	203186WSU	62,339
81.121	3650	CO SCHOOL OF MINES GOL	4009205801	24,748
81.121	3650	IA ST UNIV FED FLOW	4012014	9,033
81.121	3650	RUTGERS ST UNIV	0018	281,972
81.121	3650	RUTGERS ST UNIV	5464	26,947
81.121	3650	UNIV OF TULSA	142120464294802	52,921
81.122	3650	ALSTOM GRID INC	DEOE0000725	16,410
81.122	3650	GRID PROTECTION ALLI	WSU003625	179,925
81.122	3650	IA ST UNIV FED FLOW	4012016A	215,875
81.122	3650	UNIV OF IL FED FLOW	20150660502	365,709

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81.122	3650	UNIVERSITY OF CA RIV	S000872	72,210
81.124	3600	UNIVERSITY OF NOTRE DAME	202199UW AM03	252,525
81.135	3600	*OREGON STATE UNIVERSITY	G0135BAAM02DEAR0000439	1
81.135	3600	BECKMAN RESEARCH INSTITUTE	1556660	12,450
81.135	3600	UNIVERSITY OF FLORIDA	UFDSP00012001	75,352
81.135	3650	CORNELL UNIV	653029807	-921
81.135	3650	IA ST UNIV FED FLOW	4012006C	173,628
81.135	3650	UNIV OF MASS/AMHER	12006903B00	-528
81.135	3650	VANDERBILT UNIV	UNIV58355	202,345
81.RD	3600	ARGONNE NATIONAL LABORATORY	7F-30056 MOD02	48,960
81.RD	3600	ARGONNE NATIONAL LABORATORY	7F-30111 MOD02	89,217
81.RD	3600	ARGONNE NATIONAL LABORATORY	8F-30037 M0D02	11,241
81.RD	3600	ARGONNE NATIONAL LABORATORY	8F-30064	3,879
81.RD	3600	ARGONNE NATIONAL LABORATORY	8F-30090	28,781
81.RD	3600	ARGONNE NATIONAL LABORATORY	SUBCONTRACTNO8F30004	20,000
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766 TO 330280 MOD02	20,397
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766 TO# 380775	30,213
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766 TO# 400723	34,224
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766 TO#312492 MOD02	136,110
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766 TO257527	33,713
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766 TO276890 MOD02	33,927
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766 TO290383 MOD06	21,267
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766 TO358850	15,568
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766TASKORDER345576A	25,053
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766TO245600MOD05	16,026
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766TO276416MOD05	3,600
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	263488 MOD02	3,281
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	326594	36,195

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81.RD	3600	BATTELLE MEMORIAL INSTITUTE	335751 MOD03	56,890
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA# 243766 TO# 362615	44,698
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA# 243766 TO#354654	3,529
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA#243766 TO#355049	36,364
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA#243766 TO#356518	25,529
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA#243766 TO#362042	31,104
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA#243766 TO#362943	25,000
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA#243766 TO#403450	1,511
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA243766TO292896MOD04	26,622
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA243766TO402123MOD02	19,298
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MASTER243766TASK394738	30,579
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	T.O. 269812 MOD02	44,084
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	TASKORDER335418MOD01	88,283
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	TO 294322 MOD02	28,964
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	TO#345788	12,124
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	TO321938 MOD02	122,234
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	TO342908	34,935
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	TO386893MASTER243766	57,440
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	TO386893MOD01MASTER243	55,438
81.RD	3600	BATTERY INFORMATICS	UW662484	30,000
81.RD	3600	BROOKHAVEN SCIENCE ASSOCIATES LLC	252206 AM10	-752
81.RD	3600	BROOKHAVEN SCIENCE ASSOCIATES LLC	252206 AM11	103,239
81.RD	3600	BROOKHAVEN SCIENCE ASSOCIATES LLC	339224	1,044
81.RD	3600	BROOKHAVEN SCIENCE ASSOCIATES LLC	344693	5,923
81.RD	3600	DIRAC SOLUTIONS INC	DE-NA0002717 DSI-UW-01	-3,386
81.RD	3600	FARADAY TECHNOLOGY INC	P.O #6300	6,337
81.RD	3600	FERMI NATIONAL ACCELERATOR LABORATORY	PO# 629798	10,000
81.RD	3600	KRELL INSTITUTE	UW800401	-11,132

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81.RD	3600	LAWRENCE BERKELEY NATIONAL LABORATORY	7374375 MOD04	320,057
81.RD	3600	LAWRENCE LIVERMORE NATIONAL LABORATORY	B620544	83,223
81.RD	3600	LAWRENCE LIVERMORE NATIONAL LABORATORY	B621663 MOD02	63,308
81.RD	3600	LOS ALAMOS NATIONAL SECURITY, LLC	436061 MOD01	73,675
81.RD	3600	LOS ALAMOS NATIONAL SECURITY, LLC	472094 / BAN# 285272	1,792
81.RD	3600	LOWER COLUMBIA ESTUARY PARTNERSHIP	06-2018	55,144
81.RD	3600	METROPIA INC	716001-003 MOD01	172,682
81.RD	3600	MSNW LLC	AMENDMENT 1	24,006
81.RD	3600	NATIONAL RENEWABLE ENERGY LABORATORY	XHQ-7-70162-01 MOD02	155,030
81.RD	3600	OAK RIDGE ASSOCIATED UNIVERSITIES	UW802603	22,276
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	243766TO352057MOD03	44,762
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA#243766 TO#325576	19,746
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA#243766 TO#339065	659
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA243766TO298849MOD03	5,174
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA243766TO303349MOD02	69,908
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA243766TO324144MOD01	-443
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA243766TO334666MOD01	60,066
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA243766TO345552MOD03	8,979
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA243766TO348483MOD02	113,571
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	PO #343940	-1,000
81.RD	3600	PC TRASK AND ASSOCIATES INC	CR289642 AM11	1,644
81.RD	3600	PRINCETON PLASMA PHYSICS LABORATORY	S015900-H	6,514
81.RD	3600	SANDIA NATIONAL LABORATORIES	1679421 REV02	162,468
81.RD	3600	SANDIA NATIONAL LABORATORIES	1855616	41,422
81.RD	3600	SLAC NATIONAL ACCELERATOR LABORATORY	168751	118,013
81.RD	3600	UNIVERSITY OF CALIFORNIA BERKELEY	6700882 MOD33	28,140
81.RD	3600	UNIVERSITY OF CALIFORNIA BERKELEY	6700882 MOD34	150,014
81.RD	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	94237401 AM02	71,244

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81.RD	3600	UT-BATTELLE LLC	4000146123 MOD06	212,857
81.RD	3600	UT-BATTELLE LLC	4000158760	26,605
81.U15	3700	Lawrence Livermore National Security LLC	AC52-07NA27344 SUB	12,455
81.U16	3700	Upper Columbia United Tribes	BPA #200800700	149,814
81.U17	3700	Spokane Tribe of Indians	BPA 1994-043-00	12,401
81.U18	3700	Spokane Tribe of Indians	BPA78941 PR#199502700	7,164
81.U19	3700	Spokane Tribe of Indians	C00075980	24,372
81.U20	3700	Lawrence Livermore National Security LLC	DE-AC52-07NA27344	7,977
81.U21	3800	Battelle Pacific NW Natl Lab	324076	52,552
81.U23	4610	National Fish and Wildlife	0201.17.153089	47,937
81.U24	4610	National Fish and Wildlife	0201.18.058065	31,153
81.U25	3650	ALLIANCE SUSTAINAB	XCE66237901	805
81.U26	3650	BATTELLE LABS	118074	250,391
81.U27	3650	NAT'L TECH & ENGINEERI	1316643	38,777
81.U28	3650	BATTELLE ENERGY AL	178016	114,674
81.U29	3650	BATTELLE LABS	183740	1,212
81.U30	3650	BATTELLE ENERGY AL	196561	24,517
81.U31	3650	UNIV OF IL FED FLOW	20150657902	27,731
81.U32	3650	SATURN RESOURCE MGMT	WSU002879	401
81.U33	3650	BATTELLE LABS	244687	14,262
81.U34	3650	BATTELLE LABS	244777	28,162
81.U35	3650	BATTELLE LABS	246500	1,779
81.U36	3650	BATTELLE LABS	258801	102,580
81.U37	3650	BATTELLE LABS	272745	45,866
81.U38	3650	ALLIANCE SUSTAINAB	XGJ66218401	88,653
81.U39	3650	BATTELLE LABS	279434	32,261
81.U40	3650	BATTELLE LABS	280452	2,622
81.U41	3650	BATTELLE LABS	288470	86,759

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81.U42	3650	ALLIANCE SUSTAINAB	XFC87033101	33,285
81.U43	3650	BATTELLE LABS	293252	63,071
81.U44	3650	COLVILLE CONFEDERATED	C17218	108,033
81.U45	3650	BATTELLE LABS	300767	52
81.U46	3650	BATTELLE LABS	301164	33,744
81.U47	3650	LAWRENCE LIVERMORE	B626049	101,213
81.U48	3650	BATTELLE LABS	313798	12,233
81.U49	3650	BATTELLE LABS	316309	253,375
81.U50	3650	BATTELLE LABS	320048	55,718
81.U51	3650	BATTELLE LABS	320972	233,059
81.U52	3650	BATTELLE LABS	321180	797,329
81.U53	3650	BATTELLE LABS	321652	4,857
81.U54	3650	BATTELLE LABS	324880	16,993
81.U55	3650	BATTELLE LABS	336992	12,911
81.U56	3650	BATTELLE LABS	339057	411
81.U57	3650	BATTELLE LABS	347554	24,074
81.U58	3650	BATTELLE LABS	349230	249
81.U59	3650	BATTELLE LABS	354143	58,023
81.U60	3650	BATTELLE LABS	354289	15,686
81.U61	3650	BATTELLE LABS	355851	41,751
81.U62	3650	BATTELLE LABS	357146	95,337
81.U63	3650	BATTELLE LABS	366295	2,177
81.U64	3650	BATTELLE LABS	370358	34,299
81.U65	3650	BATTELLE LABS	370517	14,397
81.U66	3650	BATTELLE LABS	377072	23,709
81.U67	3650	BATTELLE LABS	381667	20,726
81.U68	3650	BATTELLE LABS	382742	47,113
81.U69	3650	BATTELLE LABS	386586	17,703

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81.U70	3650	BATTELLE LABS	388260	22,471
81.U71	3650	BATTELLE LABS	391108	39,877
81.U72	3650	BATTELLE LABS	392542	31,338
81.U73	3650	BATTELLE LABS	395677	13,539
81.U74	3650	BATTELLE LABS	397186	9,603
81.U75	3650	BATTELLE LABS	398507	19,109
81.U76	3650	UT-BATTELLE LLC FED	4000149261	2,987
81.U77	3650	UT-BATTELLE LLC FED	4000154736	24,072
81.U78	3650	BATTELLE LABS	4000159936	24,778
81.U79	3650	BATTELLE LABS	404320	5,654
81.U80	3650	BATTELLE LABS	404827	42,116
81.U81	3650	BATTELLE LABS	407930	9,572
81.U82	3650	MISSION SUPPORT AL	51419	19,135
81.U83	3650	MISSION SUPPORT AL	56682	201,666
81.U84	3650	MISSION SUPPORT AL	62916	5,624
81.U85	3650	WA RIVER PROTECTION	62937	171,504
81.U86	3650	MISSION SUPPORT AL	64668	38,974
81.U87	3650	WA RIVER PROTECTION	64878	34,944
81.U88	3650	WA RIVER PROTECTION	64928	90,585
81.U89	3650	UNIV OF CHICAGO	6F32142	145,068
81.U90	3650	UNIV OF CA-BERKELEY	7242865	657
81.U91	3650	ALLIANCE SUSTAINAB	AEV65205401	30,268
81.U92	3650	ALLIANCE SUSTAINAB	AGJ66217901	25,374
84.027	3750	NORTH CENTRAL EDUCATIONAL SERVICE DISTRICT	1211600006/1211600007	31,665
84.027	3750	NORTH CENTRAL EDUCATIONAL SERVICE DISTRICT	1211700007/1211700008	133,411
84.031	3600	HERITAGE UNIVERSITY	A135368	11,904
84.031	6990	HERITAGE UNIV	P031S130053-16	338,878

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84.101	6990	Tulalip Tribes	V101A010017-03A	61,760
84.126	6990	DSHS DVR	1761-10163	190,473
84.220	3600	INDIANA UNIVERSITY	BL-4236301-UW	1,811
84.264	3600	UNIVERSITY OF ARKANSAS FAYETTEVILLE	SA1707170	8,385
84.264	3600	UNIVERSITY OF MASSACHUSETTS BOSTON	B000271345 AM05	136,397
84.264	3600	UNIVERSITY OF MASSACHUSETTS BOSTON	S2015-29486-002 AM2	73,095
84.305	3600	*AMERICAN INSTITUTES FOR RESEARCH	0110503230MOD04PO13RRG	45,463
84.305	3600	AMERICAN INSTITUTES FOR RESEARCH	03664 MOD02	6,599
84.305	3600	AMERICAN INSTITUTES FOR RESEARCH	03664 MOD04	2,911
84.305	3600	GEORGETOWN UNIVERSITY	AWD7772723GR205512AM01	71,286
84.305	3600	UNIVERSITY OF MINNESOTA	A005236402 AM01	72,103
84.305	3600	UNIVERSITY OF MINNESOTA	A005945201	123,057
84.305	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5101680 AM01	-395
84.305	3600	UNIVERSITY OF VERMONT	29338SUB51803 AM02	56,603
84.305	3600	UNIVERSITY OF VIRGINIA	GM10155 150694 AM02	15,507
84.305	3600	VANDERBILT UNIVERSITY	UNIV58665AM02PRIOR3423	24,507
84.305	3650	PURDUE UNIV	411162670	19,705
84.315	3800	Northwest Indian College	NWIC-21060-SA-M01	143,094
84.324	3600	*AMERICAN INSTITUTES FOR RESEARCH	0391600101 MOD02	19,404
84.324	3600	DUQUESNE UNIVERSITY	250911 MOD01#G1500085	465
84.324	3600	DUQUESNE UNIVERSITY	250911 MOD02#G1500085	156,275
84.324	3600	VANDERBILT UNIVERSITY	UNIV59791	21,419
84.325	3600	UNIVERSITY OF FLORIDA	UFDSP00010173 AM05	19,688
84.366	3600	PUGET SOUND EDUCATIONAL SERVICE DISTRICT	09675 AM03	25,472
84.366	3600	PUGET SOUND EDUCATIONAL SERVICE DISTRICT	10268 AM01	45,429
84.366	3600	SEATTLE PUBLIC SCHOOLS	7500015765	28,739
84.366	3600	SEATTLE PUBLIC SCHOOLS	PO #7500016250	63,444
84.366	3650	EDUC SVC DIST #112	7007000100	1,103

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
84.366	3650	EDUC SVC DIST #112	7008000149	2,551
84.367	3650	EDUC SVC DIST #112	7008000150	13,665
84.367	3650	EDUC SVC DIST #112	7008000151	2,508
84.367	3750	UNIVERSITY OF CALIFORNIA	92-WA02-SEED2016	1,526
84.367	3750	UNIVERSITY OF CALIFORNIA	92-WA02-SEED2017-CRWPP	15,104
84.411	3750	UNIVERSITY OF CALIFORNIA	92-WA02-2017I3AI	19,083
84.411	3750	UNIVERSITY OF CALIFORNIA	92-WA02-2018I3WP	4,831
84.412	6990	Dept of Early Learning	Quality Award	439
84.RD	3600	HIGHLINE SCHOOL DISTRICT NO 401	UW662451	3,425
84.RD	3600	MATHEMATICA POLICY RESEARCH INC	40412S04256 S04	895
93.067	3600	AFRICAN SOCIETY FOR LABORATORY MEDICINE	PRIME# 5U2GGH000710-04	80,657
93.067	3600	ARIEL GLASER PEDIATRIC AIDS HEALTHCARE	A128204 AM01	166,468
93.067	3600	COPTIC HOSPITAL	002-05 AM 005	64,679
93.067	3600	COPTIC HOSPITAL	00205AM045U2GPS0020470	11,194
93.067	3600	COPTIC HOSPITAL	FPPMTCT5NU2GGH00195602	6,529
93.067	3600	COPTIC HOSPITAL	FPPMTCTINU2GGH00195601	56,430
93.067	3600	COPTIC HOSPITAL	OPTIONBPRIME5NU2GGH001	181,574
93.067	3600	COPTIC HOSPITAL	PRIME 5NU2GGH001956-02	51,056
93.067	3600	COPTIC HOSPITAL	PRIME INU2GGH001956-01	174,088
93.067	3600	ELIZABETH GLASER PEDIATRIC AIDS FNDN	04392PRIMEU2GGH000985	25,145
93.067	3600	JHPIEGO CORPORATION	16-SBA-017 MOD03	291,123
93.067	3600	NYANZA REPRODUCTIVE HEALTH SOCIETY	PRIME1U01GH00076201AM0	14,819
93.067	3600	PALLADIUM INTERNATIONAL, LLC	217708-ITECH-001	201,077
93.067	3600	PALLADIUM INTERNATIONAL, LLC	217708-ITECH-002	386,728
93.067	3600	PALLADIUM INTERNATIONAL, LLC	GH001955-01	21,679
93.067	3600	TANZANIA HEALTH PROMOTION SUPPORT	CDC-RFA-GH13-1322	70,869
93.067	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10524SC	39,946
93.067	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10524SC AM01	14,703

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93.067	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8818SC AM03	413,524
93.067	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8818SC AM04	55,754
93.067	3600	UNIVERSITY OF MARYLAND BALTIMORE	PO# SR0005142	64,870
93.068	3600	NATIONAL OPINION RESEARCH CENTER	5996.UWA.01 AM02	92,407
93.068	3600	NATIONAL OPINION RESEARCH CENTER	5996UWA011U01DP0060740	17,786
93.082	3600	SEATTLE & KING COUNTY DEPT OF PUB HEALTH	1171 CDIP	41,620
93.082	3600	SEATTLE & KING COUNTY DEPT OF PUB HEALTH	1171 CDIP AM02	57,965
93.084	3600	*EMORY UNIVERSITY	T657038 AM03	65,506
93.084	3600	EMORY UNIVERSITY	T853454 MOD05	135,500
93.090	6990	WDC-King County	1V40	33,761
93.103	3600	UNIVERSITY OF ROCHESTER	416950GURFAOGR510532	11,948
93.103	3600	UNIVERSITY OF ROCHESTER	417130GURFAOGR510683AM	60,325
93.103	3600	UNIVERSITY OF TEXAS HSC AT SAN ANTONIO	163462/162202	13,990
93.103	3600	UNIVERSITY OF TEXAS SAN ANTONIO	161104/160341	13,586
93.103	3600	YALE UNIVERSITY	M17A12608 (A10947)	18,532
93.107	3600	MONTANA STATE UNIVERSITY	G158-16-W5696 AM01	3,225
93.110	3030	Association of Food and Drug Officials	4-6	8,093
93.110	3030	Association of Maternal & Child Health Programs	7	6,062
93.110	3030	Association of Public Health Laboratories	3	2,804
93.110	3600	*UNIVERSITY OF ALASKA ANCHORAGE	P42435F AM06	-3
93.110	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1920 G RA028 AM03	-715
93.110	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1920 G RA028 AM04	14,050
93.113	3600	*UNIVERSITY OF CALIFORNIA BERKELEY	00008559AM05POBB004803	69,283
93.113	3600	*UNIVERSITY OF IOWA	1001472440 AM03	186,376
93.113	3600	BROWN UNIVERSITY	00000910 AM01	37,737
93.113	3600	BROWN UNIVERSITY	00000910 AM02	4,501
93.113	3600	ILLIONIX LLC	UW634383	370,045
93.113	3600	ILLIONIX LLC	UW662065	45,132

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93.113	3600	JOHNS HOPKINS UNIVERSITY	2002301818 AM05	205,774
93.113	3600	JOHNS HOPKINS UNIVERSITY	2003249885 AM01	67,822
93.113	3600	PUBLIC HEALTH INSTITUTE	1019929 AM04	41,442
93.113	3600	UNIVERSITY OF NEW MEXICO	3RY74 AM01	-682
93.113	3600	UNIVERSITY OF NEW MEXICO	3RY74 AM02	22,539
93.113	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	80001140 AM01	187,111
93.113	3600	VIRVIO INC	UW634134	-9,682
93.113	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-16-168-MOD-3	25,927
93.113	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-18-174	73,130
93.113	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU13183MOD5PO2917435WA	10,875
93.121	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	01029162 AM02	193,841
93.121	3600	CASE WESTERN RESERVE UNIVERSITY	RES511283 AM002	34,828
93.121	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UW-15501-A	47,714
93.121	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWPC-15542-C MOD01	64,775
93.121	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000917826	20,445
93.121	3600	KAISER FOUNDATION RESEARCH INSTITUTE	OOS100254-UW AM7	68,371
93.121	3600	SEATTLE CHILDREN'S HOSPITAL	11411SUB MOD02	98,545
93.121	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11399SUB MOD01	7,781
93.121	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11527SUB MOD01	19,908
93.121	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000412838-086	113,379
93.121	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1350 G SA445 AM03	129,742
93.121	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1350 G TD145 AM01	26,690
93.121	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1350 G UB393 AM01	28,781
93.121	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9648SC AM01	66,043
93.121	3600	UNIVERSITY OF CALIFORNIA, LOS ANGELES	1350 G VD585	19,571
93.121	3600	UNIVERSITY OF ROCHESTER	416624-G AM02	107,449
93.121	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	43408029 AM05	115,854
93.135	3600	UNIVERSITY OF ILLINOIS CHICAGO	5U48DP005010027418AM02	-25

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93.135	3600	UNIVERSITY OF ILLINOIS CHICAGO	7418 AM02	1,155
93.135	3600	UNIVERSITY OF NORTH CAROLINA	5105707	1,989
93.136	3600	OREGON HEALTH AUTHORITY	153076	273,830
93.136	3600	VIRGINIA COMMONWEALTH UNIVERSITY	FP00001573_SA001 AM01	23,002
93.142	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	2105 G HB431 AM05	8,211
93.142	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	2105 G TA258 AM01	35,695
93.142	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	2105 G TA258 AM03	181,216
93.142	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	UW675369	6,351
93.142	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	UW675589	76,657
93.142	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	UW675590	124,076
93.145	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	0218 MOD01	194,492
93.145	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	8276PO418760INDEX81557	3,418
93.153	3600	HARBORVIEW MEDICAL CENTER	5 H12HA28849-02-00	9,467
93.153	3600	HARBORVIEW MEDICAL CENTER	PRIME: H12HA28849	56,204
93.161	3600	AMERICAN COLLEGE OF MEDICAL TOXICOLOGY	U61TS000238-R10-03	66,800
93.161	3600	AMERICAN COLLEGE OF MEDICAL TOXICOLOGY	U61TS000238-R10-04	184,579
93.172	3600	*BOSTON UNIVERSITY	4500001599 AM003	1,928
93.172	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	S380938	43,231
93.172	3600	JACKSON LABORATORY	207438 AM06	79,662
93.172	3600	JACKSON LABORATORY	TBI	425,562
93.172	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2016151695	-91
93.172	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2017143412 AM01	455,094
93.172	3600	KAISER FOUNDATION RESEARCH INSTITUTE	OOS100285-UW	356,108
93.172	3600	KAISER FOUNDATION RESEARCH INSTITUTE	OOS100285-UW AM08	36,848
93.172	3600	NATIONWIDE CHILDREN'S HOSPITAL	700099-0618-00 AM02	371,390
93.172	3600	NATIONWIDE CHILDREN'S HOSPITAL	82210316	622
93.172	3600	NEW YORK GENOME CENTER	UM1-UWASH-2 AM03	89,036
93.172	3600	NEW YORK GENOME CENTER	UM1-UWASH-3 AM04	107,483

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93.172	3600	SCRIPPS RESEARCH INSTITUTE	5-53254	65,775
93.172	3600	SLOAN KETTERING INST FOR CANCER RESEARCH	BD5217911U01HG00939501	38,195
93.172	3600	SLOAN KETTERING INST FOR CANCER RESEARCH	BD521791A5U01HG0093950	49,645
93.172	3600	UNIVERSITY OF ALASKA FAIRBANKS	UAF 18-0067	32,159
93.172	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00009075 AM02	48,837
93.172	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9936SC AM01	294,365
93.172	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9936SC AM02	292,087
93.172	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	OSP2017191POWA00665464	66,632
93.172	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00540620OSP2017191AM	70,508
93.172	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC57005 AM01	-37,709
93.172	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC57005 AM02	376,514
93.172	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC57005, AM3	28,850
93.172	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC63906	135,876
93.172	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-17-414-MOD-1	77,851
93.172	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-17-446 MOD-1	506,805
93.172	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-18-296 MOD01	110,705
93.173	3600	FLORIDA STATE UNIVERSITY	R01782 AM03	-498
93.173	3600	NORTHWESTERN UNIVERSITY	SP0034193PROJ0009132AM	72,963
93.173	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1005685_UWA AM02	7,254
93.173	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1005685_UWA AM03	373
93.173	3600	PORTLAND STATE UNIVERSITY	207FER577	3,500
93.173	3600	TEMPLE UNIVERSITY	260885-UW	84,105
93.173	3600	VANDERBILT UNIVERSITY	UNIV58647 AM03	244,363
93.173	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-18-45-MOD-3 AM03	208,215
93.213	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2017139717	17,763
93.213	3600	UNIVERSITY OF MINNESOTA	P005878802	30,162
93.224	3600	PUBLIC HEALTH - SEATTLE & KING COUNTY	2987 CHS	47,945
93.226	3600	INDIANA UNIVERSITY	AM06	6,714

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.226	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2016174387 MOD01	38,305
93.226	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2017113683 MOD01	133,051
93.226	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2017121187	24,876
93.226	3600	KAISER FOUNDATION HEALTH PLAN OF WASHINGTON	RNG002678BUDG04UW01MOD	2,478
93.226	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1005779_UWA AM01	14,314
93.226	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1005779_UWA AM02	1,436
93.226	3600	SEATTLE CHILDREN'S HOSPITAL	11486SUB	6,448
93.226	3600	SEATTLE CHILDREN'S HOSPITAL	11681SUB	18,692
93.226	3600	SOCIETY OF NUCLEAR MEDICINE	UW632030	3,600
93.226	3600	TIBOTEC, INC.	RNG0026825-BUDG04-02	6,644
93.226	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00474255/OSP2017049	3,684
93.226	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00600402OSP2017049AM	53,903
93.226	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5106820 AM02	56,474
93.233	3600	BRIGHAM AND WOMEN'S HOSPITAL	113170 AM04	17,916
93.233	3650	LOS ANGELES BIOMEDICAL	15002499	-14
93.233	3650	UNIV OF CA DAVIS	20130078701	9,552
93.233	3650	UNIV OF PA	565843	16,370
93.236	3600	MONTANA DEPARTMENT OF PUBLIC HEALTH	17-07-5-01-069-0 AM02	138,711
93.239	3600	UNIVERSITY OF WISCONSIN MADISON	708K094	70,238
93.239	3600	UNIVERSITY OF WISCONSIN MADISON	708K094 AM01	25,824
93.242	3600	*UNIVERSITY OF CALIFORNIA SAN DIEGO	67277131 AM003	134,098
93.242	3600	BOSTON CHILDREN'S HOSPITAL	PO#GENFD0001282071	17,796
93.242	3600	CENTER FOR HEALTH POLICY	12-NIH-1091 AM06	9,467
93.242	3600	DARTMOUTH COLLEGE	R752 AM02	130,920
93.242	3600	DARTMOUTH COLLEGE	R939 AM01	5,611
93.242	3600	DESMOND TUTU HIV FOUNDATION	NIH-3P-UW-02 MOD 03	130,240
93.242	3600	DESMOND TUTU HIV FOUNDATION	NIH-3P-UW-02 MOD02	8,050

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.242	3600	DUKE UNIVERSITY	203-6521	165,362
93.242	3600	EMORY UNIVERSITY	T570202 (T453149) AM05	-7,340
93.242	3600	EMORY UNIVERSITY	T668138 AM04	966
93.242	3600	EMORY UNIVERSITY	T668138 AM05	122,266
93.242	3600	EMORY UNIVERSITY	T740482 AM01	23,071
93.242	3600	EMORY UNIVERSITY	T829681 (T570202) AM06	252,649
93.242	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000910054	80,816
93.242	3600	HUGO W MOSER RESEARCH INSTITUTE	113065-0617-02B MOD2	74,118
93.242	3600	KAISER FOUNDATION HEALTH PLAN OF WA	MH106510-UW MOD01	47,146
93.242	3600	MASSACHUSETTS GENERAL HOSPITAL*	227381AM031R01MH109309	127,491
93.242	3600	MASSACHUSETTS GENERAL HOSPITAL*	227997 AM06	20,158
93.242	3600	SEATTLE CHILDREN'S HOSPITAL	10955SUB MOD04	156,222
93.242	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW662103	42,999
93.242	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW662422	6,258
93.242	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW662424	29,827
93.242	3600	SWEDISH HEALTH SERVICES	223004 B.01 AM02	47,442
93.242	3600	UC DAVIS MEDICAL CENTER AND CHILDREN'S HOSPITAL	A130027S00220112176203	16,062
93.242	3600	UNIVERSITY OF CALIFORNIA DAVIS	201121762-03 AM07	441,402
93.242	3600	UNIVERSITY OF CALIFORNIA IRVINE	2015-3228 AM03	8,990
93.242	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1580 G VA719	9,975
93.242	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	2000 G UC645 AM02	6,224
93.242	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	97774168	10,945
93.242	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10118SC AM01	43,929
93.242	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	7945SC AM04	48,133
93.242	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8925SC AM02	73,798
93.242	3600	UNIVERSITY OF FLORIDA	UFDSP00011760	-26,771
93.242	3600	UNIVERSITY OF FLORIDA	UFDSP00011760 AM01	59,302

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.242	3600	UNIVERSITY OF FLORIDA	UFDSP00011984	51,904
93.242	3600	UNIVERSITY OF KWAZULU-NATAL	UKZN UI19 2017 1	97,934
93.242	3600	UNIVERSITY OF PENNSYLVANIA	568643 AM01	21,602
93.242	3600	UNIVERSITY OF SOUTH CAROLINA	16-3015 AM03	1,182
93.242	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-12-281-MOD-7 AM07	669
93.242	3600	YALE UNIVERSITY	GR100245CON80000779AM4	714,829
93.242	3600	YALE UNIVERSITY	GR101117CON80001061AM0	12,558
93.242	3600	YALE UNIVERSITY	M16A12223A10703AM02	-1,623
93.242	3650	UNIV OF COLORADO	FY18001018	95,456
93.243	3030	Lifeline	8	95,141
93.243	3600	*AMERICAN PSYCHIATRIC ASSOCIATION	UW802269	18,203
93.243	3600	NEIGHBORHOOD HOUSE INC	AM02	5,534
93.243	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1002661_UWA	3,084
93.243	3600	UTAH DEPARTMENT OF HUMAN SERVICES	176076 AM01	70,277
93.243	3650	CLARK COUNTY	2016A14	36,158
93.262	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1008844_UWA	25,525
93.262	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1008844_UWA AM01	106,398
93.262	3600	THE CENTER FOR CONSTRUCTION	16-2-PS	7,483
93.262	3650	CENTER FOR CONST RESEA	300180309	6,746
93.262	3650	UNIV OF PITTSBURGH	1270491	13,687
93.262	3700	The Center to Protect Workers' Rights	3001-612-01	213,359
93.266	3600	AMERICAN INTERNATIONAL HEALTH ALLIANCE	HFBZAM16PPTRZLAB00	96,586
93.266	3600	AMERICAN INTERNATIONAL HEALTH ALLIANCE	HFBZAM16PPTRZLAB00MOD1	182,862
93.270	3600	PUBLIC HEALTH - SEATTLE & KING COUNTY	1133 PREV AM02	138,981
93.270	3600	PUBLIC HEALTH - SEATTLE & KING COUNTY	PREV3988 AM01	58,094
93.273	3600	ARIZONA STATE UNIVERSITY	18-311	100,842
93.273	3600	BOSTON MEDICAL CENTER	5569	3,305
93.273	3600	BOSTON MEDICAL CENTER	BMC ID# 6205	28,556

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.273	3600	BUTLER HOSPITAL	9132-8389 AM02	119,728
93.273	3600	CORNELL UNIVERSITY	69951-10233 AM04	60,200
93.273	3600	EMORY UNIVERSITY	T814971	78,049
93.273	3600	EMORY UNIVERSITY	T969838AM15U01AA026108	9,988
93.273	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2017142861	3,709
93.273	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2017625772PRIME5R21AA0	3,757
93.273	3600	KAISER FOUNDATION HEALTH PLAN OF WA	5K24AA022128-UW AM02	4,636
93.273	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1002432_UWA AM04	34,866
93.273	3600	RHODE ISLAND HOSPITAL	7017137290-1	12,543
93.273	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	6125 PO#579852	28,120
93.273	3600	SEATTLE CHILDREN'S HOSPITAL	11511SUB	7,171
93.273	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000512064-001	103,642
93.273	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000512064-001 AM01	107,170
93.273	3600	UNIVERSITY OF HOUSTON	R-12-0031 AM07	13,394
93.273	3600	UNIVERSITY OF NORTH TEXAS HSC	RF00120-2018-0149	30,834
93.273	3600	UNIVERSITY OF NORTH TEXAS HSC	RF00121-2018-0166 AM01	55,514
93.273	3600	UNIVERSITY OF NORTH TEXAS HSC	RF00123-2018-0189 AM 1	49,634
93.273	3600	UNIVERSITY OF WISCONSIN MADISON	806K374	21,541
93.273	3600	YALE UNIVERSITY	GR101364AMEND1CON80001	9,003
93.273	3600	YALE UNIVERSITY	M17A12574(A10923)	1,801
93.273	3650	OR HLTH SCI UNIV	1002567WSU	165,296
93.273	3650	UNIVERSITY OF CALIFORN -	10532SC	15,456
93.279	3000	Brandeis	B0XB60	16,256
93.279	3000	Dartmouth	B02D50	4,314
93.279	3000	Standford	B06S70	59,681
93.279	3600	BOSTON MEDICAL CENTER	4457 AM04	61,428
93.279	3600	BOSTON MEDICAL CENTER	4472 AM03	12,354
93.279	3600	BROWN UNIVERSITY	00001143	45,671

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.279	3600	EMOCHA MOBILE HEALTH INC	PRIME1R44DA04405301	60,606
93.279	3600	EMORY UNIVERSITY	T8553211R01DA04561201	30,813
93.279	3600	FATHER FLANAGAN'S BOYS' HOME	97015-B AM01	10,991
93.279	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000909950	170,114
93.279	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000916631 AM01	57,454
93.279	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2017143416	11,308
93.279	3600	KAISER FOUNDATION RESEARCH INSTITUTE	PRIME1R01DA04212401A1	34,760
93.279	3600	MARK STEPHENS CHANGE MGMT CONSULTING	00001	42,485
93.279	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1011286_UWA	8,511
93.279	3600	RESEARCH FOUNDATION FOR THE SUNY	R1008565 AM02	38,718
93.279	3600	RESEARCH FOUNDATION FOR THE SUNY	R908941 AM03	18,036
93.279	3600	UNIVERSITY OF MARYLAND BALTIMORE	1200542AM06POSR0000214	641
93.279	3600	UNIVERSITY OF PUGET SOUND	274008-UW AM01	-12
93.279	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	61875882AM055P01DA0357	157,740
93.279	3650	RESEARCH TRIANGLE INST	13400212645	174,978
93.279	3650	UNIV OF CINCINNATI	011130003	25,101
93.279	3650	UNIV OF NC CHAPEL HILL	5034602	45,148
93.283	3600	ASSOC OF SCHOOLS & PRGM OF PUBLIC HEALTH	UW633821	92,306
93.283	3600	ASSOC OF SCHOOLS & PRGM OF PUBLIC HEALTH	UW633822	22,230
93.286	3600	UNIVERSITY OF TEXAS AUSTIN	UTA17-000891	22,853
93.297	3600	POWER TO DECIDE	UW664381	58,309
93.307	3600	COLUMBIA UNIVERSITY	1(GG011834-02) AM02	70,575
93.307	3600	COLUMBIA UNIVERSITY	1(GG011834-04) AM04	22,284
93.307	3600	MASSACHUSETTS GENERAL HOSPITAL	227351 AM04	2,868
93.307	3600	MASSACHUSETTS GENERAL HOSPITAL*	227351 AM03	11,397
93.307	3600	SANFORD RESEARCH	SR-2016-13	2,805
93.307	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	OSP2017201 AM01	29,905
93.307	3600	UNIVERSITY OF MINNESOTA	N004207301 AM04	4,896

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.307	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5109073	13,252
93.307	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5109076 AM01	70,554
93.307	3650	SOUTHCENTRAL FOUNDATIO	2017033	27,501
93.310	3600	*NEW YORK UNIVERSITY	15-A1-00-002912-01	16,191
93.310	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	311196 AM01	48,419
93.310	3600	BROAD INSTITUTE INC	56102235500000695AM06	-9,261
93.310	3600	BROAD INSTITUTE INC	56102245500000695AM07	174,247
93.310	3600	DREXEL UNIVERSITY	800059	31,425
93.310	3600	DREXEL UNIVERSITY	800060	24,230
93.310	3600	DREXEL UNIVERSITY	800109 AM02	80,090
93.310	3600	DREXEL UNIVERSITY	800110 AM02	54,934
93.310	3600	MONTEFIORE MEDICAL CENTER	311117	16,545
93.310	3600	PURDUE UNIVERSITY	4102-77445 AM01	43,932
93.310	3600	WESTAT INC	6366-S01 MOD02	22,718
93.310	3600	WESTAT INC	6366-SO1 MOD03	75,690
93.322	3030	Association of Public Health Laboratories	1-2	43,671
93.331	3600	SEATTLE & KING COUNTY DEPT OF PUB HEALTH	1089 CDIP AM04	31,449
93.350	3600	NEW YORK UNIVERSITY SCHOOL OF MEDICINE	16-A0-00-007000-01	41,637
93.350	3600	NORTIS INC	NOR0002 AM01	16,124
93.350	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1011902_UWA	360,134
93.351	3600	EMORY UNIVERSITY	T425277	-131,071
93.351	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1008419_UWA AM1	31,840
93.351	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1008419UWA1R24OD021324	-1
93.351	3600	UNIVERSITY OF KENTUCKY RESEARCH FNDN	3200000583-16-239 AM02	31,556
93.353	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939646	19,782
93.353	3600	SLOAN KETTERING INST FOR CANCER RESEARCH	PO# BD522497	41,304
93.361	3600	*DANA-FARBER CANCER INSTITUTE	1215008 AM08	-1,338
93.361	3600	DUKE UNIVERSITY	2035919	-911

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Note F: Supplemental Information for Pass-Through Funds

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93.361	3600	DUKE UNIVERSITY	2035922	66
93.361	3600	DUKE UNIVERSITY	2036531	11,730
93.361	3600	DUKE UNIVERSITY	2036534	16,525
93.361	3600	SOUTHCENTRAL FOUNDATION	2016-158	17,997
93.361	3600	UNIVERSITY OF NEW MEXICO	3RZ32 AM02	110,317
93.361	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5106244 AM01	174,191
93.361	3650	UNIV OF NC CHAPEL HILL	5106247	12,417
93.393	3600	ARIZONA STATE UNIVERSITY	16-837 AM04	59,861
93.393	3600	ARIZONA STATE UNIVERSITY	17-093 AM02	42,540
93.393	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	321072PO961593RSUBAM03	99,415
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000843712 AM02	8,955
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000843716 AM02	8,182
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000859538 AM02	12,821
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008792484U01CA182940	18,425
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879329	4,858
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879365	10,050
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879380	6,209
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879553	6,600
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879555	3,133
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879556	2,215
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000888496 AM01	15,757
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000889472 AM01	20,872
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000889841 AM01	505,666
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000890671	4,424
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000902410	264,371
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000904241 AM01	22,878
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000904243	10,490
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000912225	9,809

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Note F: Supplemental Information for Pass-Through Funds

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93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000915889	50,398
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000915891	23,963
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000915893	38,006
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000916112	41,377
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000916357	39,432
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00009182101U01CA217883	33,952
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000918479	13,840
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928697	23,449
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928782	23,815
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000930106 AM01	187,358
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000936645	2,639
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938578	5,740
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938581	5,634
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938583	3,118
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938584	7,853
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938585	833
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938602	207
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000940775	2,121
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000940776	4,483
93.393	3600	HARVARD PILGRIM HEALTH CARE INC	AH000632 AM01	29,564
93.393	3600	HARVARD UNIVERSITY	116071-5089696 AM03	33,957
93.393	3600	HARVARD UNIVERSITY	116071-5089696 AM06	101,780
93.393	3600	KAISER FOUNDATION HOSPITALS	RNG200623-UW-03	30,816
93.393	3600	MASSACHUSETTS GENERAL HOSPITAL*	226969 AMEND 4	51,038
93.393	3600	MASSACHUSETTS GENERAL HOSPITAL*	226969AM025U01CA199336	11,587
93.393	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1006132_UWA AM02	242,583
93.393	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11042SUB MOD04	101,765
93.393	3600	UNIVERSITY OF CALIFORNIA DAVIS	201603696-13	71,177

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.393	3600	UNIVERSITY OF CALIFORNIA DAVIS	201603696-13, AM1	8,503
93.393	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1557 G VC172	157,857
93.393	3600	UNIVERSITY OF DELAWARE	44956 AM02	12,252
93.393	3600	UNIVERSITY OF MISSOURI COLUMBIA	C00053910-1	57,193
93.393	3600	UNIVERSITY OF UTAH	10043057-02	20,505
93.394	3600	AMERICAN COLLEGE OF RADIOLOGY	1671, AM03	112,335
93.394	3600	CORNELL UNIVERSITY	16122147-03 AM02	7,773
93.394	3600	CORNELL UNIVERSITY	180357-03 AM03	105,435
93.394	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	1671, AMENDMENT 4	3,731
93.394	3600	EMORY UNIVERSITY	T787676 (T598828) AM01	32,678
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000869979 AM01	-2,149
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000889913	5,400
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899794	19,309
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000904422	128,502
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000905469	99,933
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000906151 AM01	96,211
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000907415 AM01	180,169
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000912268	10,653
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000937268 AM01	4,663
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939752	55,837
93.394	3600	KITWARE INC	K001416-00-S01 MOD3	121,613
93.394	3600	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	5710004063 AM02	103,649
93.394	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11391SUB	-16
93.394	3600	TWINSTRAND BIOSCIENCES, INC.	R44CA221426	36,923
93.394	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1557 G VB811	59,084
93.394	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10048SC AM01	57,205
93.394	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9770SC AM01	57,208
93.394	3600	UNIVERSITY OF IOWA	W000893975PO1001713589	4,559

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.394	3600	UNIVERSITY OF MINNESOTA	N002338901 AM5	-3,890
93.394	3600	UNIVERSITY OF PENNSYLVANIA	569007 AM02	1,774
93.394	3600	UNIVERSITY OF PENNSYLVANIA	569007, AM1	13,492
93.394	3600	UNIVERSITY OF TEXAS SAN ANTONIO	161262/161256 AM01	493
93.395	3600	BECKMAN RSCH INST OF THE CITY OF HOPE	600532003607669302AM02	80,785
93.395	3600	BECKMAN RSCH INST OF THE CITY OF HOPE	600532003660669302AM04	5,650
93.395	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0307702S01-A02	62,481
93.395	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0307703S01	80,083
93.395	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	9500080218XXPO962580RS	24,818
93.395	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	FP: 17296_SUB01_06	232,787
93.395	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	UW662152	30,000
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	U10CA18082001WASH1AM03	17,351
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	U10CA18082001WASH2AM03	9,999
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	U10CA18082002WASH3AM02	5,826
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	U10CA18082002WASH3AM03	3,388
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008433595U01CA154967	1,784
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000843416 AM05	191,345
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000857570 AM01	-90,597
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000859909 AM02	49,409
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000871622 AM02	3,862
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000875225	821
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000878736 AM02	9,275
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000882388	27,008
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883615	7,841
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899335	34,507
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000906707	216,033
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000910144 AM01	29,028
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000915994	64,908

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000919075 AM01	13,656
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000926778	185,959
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000933644	27,364
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000935334	51,470
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000940802	21,440
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER (FHCRC)	0000854063 AM02	-10,078
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER (FHCRC)	0000933273 AM01	35,721
93.395	3600	INSTITUTE FOR SYSTEMS BIOLOGY	2016.0002 AM01	79,334
93.395	3600	JOHN WAYNE CANCER INSTITUTE (JWCI)	R01 CA 189163 AM10	1,893
93.395	3600	MAYO CLINIC	UNI-198769-05 AM06	17,280
93.395	3600	MAYO CLINIC	UNI19876902AM04PO65120	55,202
93.395	3600	NANOSURFACE BIOMEDICAL, INC.	PRIME1R43CA22165901	92,079
93.395	3600	NRG ONCOLOGY INC	UOFWASHYR1AMKOHYR4	7,000
93.395	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9009627 UWA AM04	24,865
93.395	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9009627-003_UWA AM02	46,966
93.395	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9009627-007_UWA	5,000
93.395	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9009627-011_UWA AM2	63,486
93.395	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9009627_UWA AM03	67,629
93.395	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9009627016UWAPRIME3U10	3,563
93.395	3600	PET/X LLC	2016-01#A113106	65,532
93.395	3600	SEATTLE CHILDREN'S HOSPITAL	11512SUB MOD01	20,255
93.395	3600	SEATTLE CHILDREN'S HOSPITAL	11540SUB MOD01	3,183
93.395	3600	SEATTLE CHILDREN'S HOSPITAL	11572SUB AM02	22,493
93.395	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11539SUB	12,492
93.395	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11539SUB MOD02	13,030
93.395	3650	SEATTLE CHILDREN'S RES	11515SUB	114,727
93.396	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	01029660 AM4	201,044

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.396	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	01029664 AM05	180,106
93.396	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000896527 AM01	13,750
93.396	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000924194	9,551
93.396	3600	UNIVERSITY OF ARIZONA	378116	24,267
93.396	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00612953RFS2016027AM	40,885
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000782902 AM03	231
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000861670 AM03	56,522
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000869671 AM01	4,280
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000876755	-7,868
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000877775 AM01	15,311
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000877776	20,334
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000880873	8,636
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883578	15,602
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883583 AM01	39,006
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883594	2,720
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883595 AM01	52,691
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883601	42,555
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883609	5,484
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000893888 AM01	2,169
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894199 AM01	71,001
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894201 AM02	80,425
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894202 AM01	63,447
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894205 AM01	22,093
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894206 AM01	14,518
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894470 AM01	103,688
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894471 AM01	241,660
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899715	3,880
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008997275P30CA015704	38,121

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899728	26,025
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899729	22,212
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899744	54,113
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899773	8,239
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899858	48,081
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899887	19,994
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899901	11,353
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899961	3,962
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000900076	210,985
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000900077	15,921
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000900091	7,868
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000900191	4,723
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000900195	13,263
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000900210	57,432
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000900345 AM01	12,933
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000901262	-17,112
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000901302	24,626
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000902442	16,307
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000902472	6,811
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000902884	10,173
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000903038	8,331
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000903039	55
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000903481	8,955
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00009053775P30CA015704	10,408
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000905473	1,383
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000905478	121,809
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000905937	46,551
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000906601	13,414

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000908798 AM02	18,016
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000913604	31,009
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000913605	57,197
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000917017	41,129
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000917643	126,650
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000917652	65,554
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000923895	38,182
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000923896	219,097
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00009239095P50CA097186	52,223
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000923910	15,088
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000923911 AM01	112,355
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928112 AM01	14,298
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928113	176,510
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928114 AM1	63,283
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928115 AM1	53,981
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928116	252,103
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000930664 AM01	29,687
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938754	1,142
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938900	16,178
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938954	48,512
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939738	5,016
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939750	9,425
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939753	65,440
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939761	8,301
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939828	448,652
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000940822	27,482
93.397	3600	HEALTH PARTNERS RESEARCH FOUNDATION	0000939771	2,229
93.397	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3004530355	13,597

State of Washington
Schedule of Expenditures of Federal Awards
Note F: Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.397	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3004892313	13,597
93.397	3600	UNIVERSITY OF MICHIGAN, ANN ARBOR	3004538756	131,984
93.399	3600	SUN NUCLEAR CORPORATION	PRIME1R41CA21745201A1	53,993
93.424	3030	Council of State & Territorial Epidemiologists	9	4,683
93.424	3600	ASSOCIATION OF STATE PUBLIC HEALTH NUTRI	UW ID: A120969	18,822
93.424	3600	NATL ASSOC OF CHRONIC DISEASE DIRECTORS	1262017	100,067
93.424	3600	NATL ASSOC OF CHRONIC DISEASE DIRECTORS	2402018	108,719
93.433	3600	ALBERT EINSTEIN HEALTHCARE NETWORK	90DP0037-03-00 MOD01	6,716
93.433	3600	CARNEGIE MELLON UNIVERSITY	1090524-394080	35,970
93.433	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000513370-002 AMA01	7,606
93.433	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000513370-002 AMA02	22,724
93.441	3600	NW PORTLAND AREA INDIAN HEALTH BOARD	C17-01 (PO# 26996)	20,786
93.508	3600	UNITED INDIANS OF ALL TRIBES FOUNDATION	A71880 MOD07	32,671
93.535	3600	ARIZONA STATE UNIVERSITY	18-278	33,473
93.556	3700	Idaho Dept of Health & Welfare	KC263200	39,107
93.556	3700	Idaho Dept of Health & Welfare	KC267300	146,253
93.558	6990	LEP PATHWAY	1665-68116	501,404
93.576	6990	DSHS REFUGEES	1665-77400	88,487
93.600	3600	ZERO TO THREE	2016030075 AM02	354,786
93.600	3600	ZERO TO THREE	2016090248 A01	181,840
93.600	3600	ZERO TO THREE	201709279N	347,135
93.600	3600	ZERO TO THREE	201709280N A03	421,221
93.600	6990	Olympic Educational Service District	Headstart	234,454
93.600	6990	PSD	1550	156,986
93.600	6990	Puget Sound Educational Service District	09854	206,591
93.600	6990	Puget Sound ESD	Early Headstart	81,288
93.600	6990	Puget Sound ESD	Headstart	117,865
93.600	6990	Puget Sound ESD	LOA#10332	71,629

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.600	6990	Puget Sound ESD	LOA#9951	35,885
93.610	3600	MONTEFIORE MEDICAL CENTER	UW669370	69,836
93.612	3600	JAMESTOWN S'KLALLAM TRIBE	UW634491	14,638
93.612	3650	NEZ PERCE TRIBE	WSU003561	15,383
93.639	3600	AMERICAN PSYCHIATRIC ASSOCIATION	AMEND 2	282,521
93.639	3600	AMERICAN PSYCHIATRIC ASSOCIATION	UW631313	80,739
93.645	3700	Idaho Dept of Health & Welfare	1C10080	183,343
93.652	3600	SPAULDING FOR CHILDREN	90CO1134-01-00 (PRIME)	50,751
93.652	3600	SPAULDING FOR CHILDREN	UW662831	35,188
93.658	3700	Idaho Dept of Health & Welfare	KC261400	1,154,614
93.733	3600	NATL ASSOCIATION OF CHAIN DRUG STORES	1H231P000985-01 AM01	121,078
93.734	3600	FLORIDA HEALTH NETWORKS	UW637296	5,428
93.757	3650	SPOKANE REGIONAL HEA	3004111112	5,078
93.837	3600	BLOODWORKS NORTHWEST	827-UW-2017 AM03	11,605
93.837	3600	BRIGHAM AND WOMEN'S HOSPITAL	2011D000881	-8,402
93.837	3600	BRIGHAM AND WOMEN'S HOSPITAL	PS#224978 MOD05	22,866
93.837	3600	CEDARS-SINAI MEDICAL CENTER	1373766	29,622
93.837	3600	COLUMBIA UNIVERSITY	1(GG010998-05) AM03	72,656
93.837	3600	COLUMBIA UNIVERSITY	3(GG011046-03)	70,197
93.837	3600	DUKE CLINICAL RESEARCH INSTITUTE (DCRI)	177494/218214/226028	39,398
93.837	3600	DUKE CLINICAL RESEARCH INSTITUTE (DCRI)	SPS162060SITE070AM04	471
93.837	3600	DUKE UNIVERSITY	203-8487 AM01	128,363
93.837	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000872675 AM01	24,842
93.837	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-7514-4609	47,685
93.837	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-7885-4609 AM3	112,721
93.837	3600	KAISER PERMANENTE	OOS030150-UOW-02 AM03	224,705
93.837	3600	NEW ENGLAND RESEARCH INSTITUTES, INC. (NERI)	UW669766	8,718

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.837	3600	NEW YORK UNIVERSITY	001501 AM04	15,274
93.837	3600	NORTHWESTERN UNIVERSITY	60043933 UW AM A01	25,865
93.837	3600	NOVUSON SURGICAL INC	SBIR NOVUSON	4,670
93.837	3600	OHIO STATE UNIVERSITY	60054856 AM01	350
93.837	3600	OHIO STATE UNIVERSITY	60054857/PO#RF01467282	-718
93.837	3600	OHIO STATE UNIVERSITY	60059645	20,102
93.837	3600	OHIO STATE UNIVERSITY	60059645 AM02	53,608
93.837	3600	OHIO STATE UNIVERSITY	60059645 AM2	238,998
93.837	3600	OPTICYTE INC	R44HL127543-03	190,498
93.837	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1005697_UW AM03	47,402
93.837	3600	PAI LIFE SCIENCES INC	UW OSP #A108938	-2,146
93.837	3600	PALO ALTO MEDICAL FNDN FOR HEALTHCARE	38220755-0319A AM004	46,687
93.837	3600	SEATTLE CHILDREN'S HOSPITAL	11351SUB M05	10,142
93.837	3600	SEATTLE CHILDREN'S HOSPITAL	11351SUB MOD03	211,892
93.837	3600	ST JUDE CHILDREN'S RESEARCH HOSPITAL	1120420207708024AMEND0	9
93.837	3600	ST JUDE CHILDREN'S RESEARCH HOSPITAL	112042030-7767142 AM03	133,115
93.837	3600	TEMPLE UNIVERSITY	3610650473002AM03P0309	10,273
93.837	3600	THOMAS JEFFERSON UNIVERSITY	080-18007-S27801	200,463
93.837	3600	TUFTS UNIVERSITY	HH4010 AM01	24,288
93.837	3600	TUFTS UNIVERSITY	HH4023 AM03	36,427
93.837	3600	TUFTS UNIVERSITY	HH5920 AM01	63,318
93.837	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000508553-001 AM#A02	7,247
93.837	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000509971-001 AM A04	118,725
93.837	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000512650-001 AM01	25,518
93.837	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000512650-001 AM02	8,059
93.837	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	7738SC AM07	148,287
93.837	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9102SC AM02	184,220
93.837	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9648SC	2,559

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.837	3600	UNIVERSITY OF ILLINOIS CHICAGO	16993	7,352
93.837	3600	UNIVERSITY OF ILLINOIS CHICAGO	693420000101037843AM03	29,162
93.837	3600	UNIVERSITY OF IOWA	W000965540	37,044
93.837	3600	UNIVERSITY OF KENTUCKY RESEARCH FNDN	3200000735-17-036 AM02	7,289
93.837	3600	UNIVERSITY OF MARYLAND BALTIMORE	101330A AM04	12,457
93.837	3600	UNIVERSITY OF MINNESOTA	P005875701	24,203
93.837	3600	UNIVERSITY OF MINNESOTA	P005875701, AM1	7,974
93.837	3600	UNIVERSITY OF PITTSBURGH	00319741246181AM03	34,775
93.837	3600	UNIVERSITY OF PITTSBURGH	00504701273911AM02	198,248
93.837	3600	UNIVERSITY OF PITTSBURGH	00530321289961AM01	40,019
93.837	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 59443 AM2	26,229
93.837	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 59733	21,809
93.837	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 59733 AMEND 1	252,455
93.837	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 59733 AMEND 2	681,103
93.837	3600	WAKE FOREST UNIVERSITY	WFUHS 114488, AM02	140,428
93.837	3600	WAKE FOREST UNIVERSITY	WFUHS 114798 AM04	20,632
93.837	3600	WAKE FOREST UNIVERSITY	WFUHS 116827	30,874
93.837	3600	WAKE FOREST UNIVERSITY	WFUHS 116828 AM01	30,759
93.837	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-17-310-MOD-2	67,744
93.837	3600	YALE UNIVERSITY	M14A11810(A09626) AM04	144,910
93.837	3600	YALE UNIVERSITY	M17A12470(A11073) AM01	93,526
93.837	3650	UNIV OF AZ	3011860	35,094
93.837	3650	UNIV OF OK FED FLOW	RS2012229608	-227
93.837	3650	UNIV OF OK FED FLOW	RS2012229612	20,961
93.838	3600	*UNIVERSITY OF CALIFORNIA SAN DIEGO	49854772 AM03	137,376
93.838	3600	CARNEGIE MELLON UNIVERSITY	1090409-334683 AM03	33,271
93.838	3600	COLUMBIA UNIVERSITY	1(GG007619-04) AM03	66,420
93.838	3600	COLUMBIA UNIVERSITY	2(GG007668-01) AM01	1,941

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.838	3600	COLUMBIA UNIVERSITY	2(GG011662)	4,646
93.838	3600	COLUMBIA UNIVERSITY	4(GG010919-02) AM01	1,693
93.838	3600	COLUMBIA UNIVERSITY	4(GG010919-03) AM03	52,666
93.838	3600	COLUMBIA UNIVESITY	2(GG012782) AM01	80,943
93.838	3600	MASSACHUSETTS GENERAL HOSPITAL	229886 MOD04	343,180
93.838	3600	MASSACHUSETTS GENERAL HOSPITAL	229960 MOD01	7,855
93.838	3600	MASSACHUSETTS GENERAL HOSPITAL	MOD03PRIME5U01HL123009	532,251
93.838	3600	SEATTLE CHILDREN'S HOSPITAL	11659SUB	29,312
93.838	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8893SC AM03	125,422
93.838	3600	UNIVERSITY OF IOWA	W000965943	87,138
93.838	3600	UNIVERSITY OF PITTSBURGH	0035200 (128136-3)	80
93.838	3600	UNIVERSITY OF PITTSBURGH	0035200 (129907-3)	62,247
93.838	3600	UNIVERSITY OF PITTSBURGH	0041577 AM02	88,055
93.838	3600	UNIVERSITY OF VERMONT	31438-01-004SUB-0005	15,193
93.838	3600	UNIVERSITY OF VERMONT	3143801004SUB0005AM01	43,811
93.839	3600	*BRIGHAM AND WOMEN'S HOSPITAL INC	113440 AM03	49,111
93.839	3600	*SEATTLE CHILDREN'S HOSPITAL	11288SUB MOD03	71,310
93.839	3600	BLOODWORKS NORTHWEST	802-UW-2017 AM04	106,056
93.839	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UW-15014-B MOD01	-4,319
93.839	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UW-15014-C	128,106
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000846587 AM03	13,059
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000866878 AM01	-12,269
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879169	-56
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000895631	62,130
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000902951	11,323
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000916288	178,641
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000918508	227,942
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000929254	277,859

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.839	3600	SEATTLE CHILDREN'S HOSPITAL	11577SUB MOD02	127,843
93.839	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000502659-001 AM# A03	49,402
93.839	3600	UNIVERSITY OF CHICAGO	FP066598-D	2,540
93.839	3600	UNIVERSITY OF COLORADO DENVER	FY18.878.004	44,556
93.839	3600	UNIVERSITY OF COLORADO DENVER	FY18.878.004 AM01	12,205
93.839	3600	UNIVERSITY OF ROCHESTER	417287GURFAOGR510757	14,043
93.839	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	75103107 AM02	136,758
93.839	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	75103107 AM03	72,110
93.839	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	UW634828	52,975
93.839	3600	UNIVERSITY OF TEXAS	0013267D	23,173
93.846	3600	HEBREW REHABILITATION CENTER	90077	25,833
93.846	3600	JOHNS HOPKINS UNIVERSITY	1R01AR064066 MOD01	720
93.847	3600	*CASE WESTERN RESERVE UNIVERSITY	RES512841 AM1	304
93.847	3600	*SEATTLE CHILDREN'S HOSPITAL	11334SUB MOD02	24,596
93.847	3600	*UNIVERSITY OF IOWA	W000649521PO1001385931	712
93.847	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	310859AMEND6PO661001	124,099
93.847	3600	ARIZONA STATE UNIVERSITY	16-924 AM03	18,480
93.847	3600	AUGUSTA UNIVERSITY	30835-28 AM01	4,078
93.847	3600	AUGUSTA UNIVERSITY	32307-3	29,750
93.847	3600	AUGUSTA UNIVERSITY	32307-6	32,094
93.847	3600	BOSTON CHILDREN'S HOSPITAL	GENFD0001169476 AM01	25,506
93.847	3600	BOSTON CHILDREN'S HOSPITAL	GENFD0001337145 AM02	384,083
93.847	3600	BOSTON CHILDREN'S HOSPITAL	UW638097	96,418
93.847	3600	BRIGHAM AND WOMEN'S HOSPITAL	111345 AM03	7,007
93.847	3600	BROAD INSTITUTE INC	5216282-5500000979	18,659
93.847	3600	BROWN UNIVERSITY	00001054 AM01	32,727
93.847	3600	CARNEGIE CORPORATION OF NEW YORK	226142 AM05	7,228
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	974-SUB	14,498

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES508618 AM04	1,140
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES509454 AM03	55,102
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES509472 AM03	23,482
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES511127 AM02	479
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES511909 AM02	23,206
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES512226	267,538
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES512556	27,388
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES512873	50,377
93.847	3600	CINCINNATI CHILDREN'S HOSP MEDICAL CTR	137645	-25,163
93.847	3600	CLEVELAND CLINIC LERNER COLL OF MEDICINE	709-SUB AM02	441
93.847	3600	CLEVELAND CLINIC LERNER COLL OF MEDICINE	778-SUB	1,186
93.847	3600	CLEVELAND CLINIC LERNER COLL OF MEDICINE	862 SUB AM03	105,426
93.847	3600	DOSE SAFETY COMPANY	A92614	13,402
93.847	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000892712	4,225
93.847	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000892720	2,628
93.847	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00009180981RC2DK114777	191,647
93.847	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000932046	1,262
93.847	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000932072	1,570
93.847	3600	GEORGE WASHINGTON UNIVERSITY	14-D17	3,562
93.847	3600	GEORGE WASHINGTON UNIVERSITY	15D17AM025U01DK0612301	295,569
93.847	3600	GEORGE WASHINGTON UNIVERSITY	S-DPP-1718-JC02	309,828
93.847	3600	GEORGE WASHINGTON UNIVERSITY	S-DPP-1819-JC02	233,908
93.847	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-7481-4609 AM03	-20,368
93.847	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-7481-4609 AM04	172,898
93.847	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-7513-4609 AM03	-2,496
93.847	3600	JOSLIN DIABETES CENTER	100069 AM01	189,116
93.847	3600	JOSLIN DIABETES CENTER	1987203-15 AM05	46,598
93.847	3600	JOSLIN DIABETES CENTER	1987203-15 AM07	18,588

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.847	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2018103409	129,069
93.847	3600	KAISER FOUNDATION HEALTH PLAN OF WA	DK114196-01-UW	27,128
93.847	3600	KAISER PERMANENTE	CS113409_UOW AM02	46,523
93.847	3600	LOYOLA UNIVERSITY CHICAGO	206423 AM01	10,923
93.847	3600	MASSACHUSETTS GENERAL HOSPITAL	226142 AM4	26,567
93.847	3600	MASSACHUSETTS GENERAL HOSPITAL*	224804AM035R01DK101495	51,595
93.847	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004965_UWA AM02	4
93.847	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004965UWA AM 4	42,146
93.847	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004965UWAMARCOVINAAM0	11,257
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11096SUB MOD 2	10,999
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11096SUB MOD03	143,245
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11481SUB	29
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11648SUB	824,619
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11648SUB MOD01	92,705
93.847	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11097SUB	7,121
93.847	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11097SUB MOD03	135,148
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS141-UW-6 AM01	338,505
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS16LOVATC7SIBCR	3,783
93.847	3600	SONOMOTION INC	SONOMOTIONSBIRAGREEMEN	5,276
93.847	3600	SONOMOTION INC	UW OSP #A106137	65,281
93.847	3600	SONOMOTION INC	UW632488	132,884
93.847	3600	SONOMOTION INC	UW661542	4,925
93.847	3600	SONOMOTION INC	UW662485	9,681
93.847	3600	SWEDISH CENTER FOR RESEARCH & INNOVATION	600103 C.04	13,356
93.847	3600	SWEDISH HEALTH SERVICES	650002 A.01 AM01	-140
93.847	3600	TUFTS MEDICAL CENTER	5007632-SERV AM05	3,127
93.847	3600	TUFTS MEDICAL CENTER	5013848-SERV	1,614
93.847	3600	TUFTS MEDICAL CENTER	5013848-SERV AM01	25,147

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93.847	3600	UNIVERSITY OF CALIFORNIA IRVINE	2014-3113 AM03	116,615
93.847	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	38947675 AM006	292,616
93.847	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10309SCAM011R21DK11421	67,964
93.847	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10321SC	10,187
93.847	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8002SC AM05	104,186
93.847	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8379SC AM02	1,324
93.847	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8379SCAM055R01DK098233	13,045
93.847	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9456SC AM01	15,421
93.847	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9996SC	34,763
93.847	3600	UNIVERSITY OF CALIFORNIA, DAVIS	201701549-01	18,054
93.847	3600	UNIVERSITY OF COLORADO DENVER	FY18.896.006	41,124
93.847	3600	UNIVERSITY OF COLORADO DENVER	FY18.896.006 AM01	57,704
93.847	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3004111805 AM02	18,031
93.847	3600	UNIVERSITY OF MICHIGAN, ANN ARBOR	3003481941 AM02	2,086
93.847	3600	UNIVERSITY OF MINNESOTA	N006254903 AM01	12,681
93.847	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5033711 AM02	15,845
93.847	3600	UNIVERSITY OF NORTH CAROLINA, CHAPEL HILL	5034378AM035U01DK09223	4
93.847	3600	UNIVERSITY OF PENNSYLVANIA	569145 AM03	-11,356
93.847	3600	UNIVERSITY OF PENNSYLVANIA	571765 AMEND 4	9,200
93.847	3600	UNIVERSITY OF PITTSBURGH	0047227 (129378-3)	63,910
93.847	3600	UNIVERSITY OF PITTSBURGH	0047227 (129378-4)	760,131
93.847	3600	UNIVERSITY OF PITTSBURGH	00472271274941AM01	1,326
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1007-00-AM	26,313
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1008-00-AD	148,378
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1017-00-AM, MOD03	30,696
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1051-00-AD	97,906
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163100800ZUC4DK106993	657,589
93.847	3600	UNIVERSITY OF TEXAS	GMO 161129 AM02	52,880

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.847	3600	UNIVERSITY OF TEXAS	GMO-161129 AM01	12,742
93.847	3600	UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER	GMO-160218 AM01	-252
93.847	3600	UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER	GMO-170915	-252
93.847	3600	UNIVERSITY OF WISCONSIN MADISON	793K995	10,945
93.847	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC42466 AM001	-7,603
93.847	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC42466 AMEND 2	204,331
93.847	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC60682	32,455
93.847	3600	VETERANS MEDICAL RESEARCH FOUNDATION	08786003-316585 AM04	1,068
93.847	3600	WAKE FOREST UNIVERSITY	WFUHS 114580 AM03	185,722
93.847	3600	WAKE FOREST UNIVERSITY	WFUHS 118239 AM02	88,887
93.847	3600	WAKE FOREST UNIVERSITY	WFUHS 118258 AM01	112,247
93.847	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-15-112-MOD-3 AM03	-14
93.847	3600	YALE UNIVERSITY	M15A11842 AM02	13,426
93.847	3600	YALE UNIVERSITY	M17A12561(A10910)	4,626
93.847	3600	YALE UNIVERSITY	M17A12561CON8000591AM0	25,941
93.847	3600	YESHIVA UNIVERSITY	310859AM03POP0549427	-36
93.847	3600	YESHIVA UNIVERSITY	310859AMEND5PO616755	22,138
93.847	3650	PENNINGTON BIOMEDICAL	R01DK108765S001	195,859
93.847	3650	UNIV OF COLORADO	FY17001016	10,472
93.847	3650	UNIV OF S CA	RGF010786A	6,390
93.853	3600	*EMORY UNIVERSITY	T928260	25,993
93.853	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	01029142 AM06	13,662
93.853	3600	BOSTON UNIVERSITY	4500002301	9,152
93.853	3600	BOSTON UNIVERSITY	4500002484AMEND15UH2NS	33,481
93.853	3600	BUCK INSTITUTE FOR RESEARCH ON AGING	SA-33842 AM01	17,898
93.853	3600	BUCK INSTITUTE FOR RESEARCH ON AGING	SA15008-UW AM01	62,334
93.853	3600	BUCK INSTITUTE FOR RESEARCH ON AGING	SA15008-UW PO#39073	32,238

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93.853	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	18B-1098573	13,853
93.853	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	21B-1097692 AM01	38,267
93.853	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	21B-1098368	372,102
93.853	3600	CHILDREN'S RESEARCH INSTITTUTE	30003963-54	18,099
93.853	3600	CHILDREN'S RESEARCH INSTITUTE	30003963-24	7,620
93.853	3600	CINCINNATI CHILDREN'S HOSPITAL MED CTR	137754 AM01	3,481
93.853	3600	COLUMBIA UNIVERSITY	1(GG012006-01)	158,088
93.853	3600	COLUMBIA UNIVERSITY	1(GG012006-02) AM01	9,381
93.853	3600	EMORY UNIVERSITY	T234837 AM04	134,798
93.853	3600	EMORY UNIVERSITY	T662120 AM11	30,292
93.853	3600	GRAY MATTER RESEARCH, LLC	UW662736	77,074
93.853	3600	HARVARD UNIVERSITY	111178-5088518 AM03	54,097
93.853	3600	HOUSTON METHODIST RESEARCH INSTITUTE	AGMT00000766	40,279
93.853	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-6614-4609 AM07	343,411
93.853	3600	JOHNS HOPKINS UNIVERSITY	2003445452 MOD 1	20,731
93.853	3600	MAYO CLINIC	WAS-224063	1,449
93.853	3600	NORTHWESTERN UNIVERSITY	60043694 UW	-1
93.853	3600	NORTHWESTERN UNIVERSITY	60043694 UW AM01	55,993
93.853	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9008715_HMC AM05	46,396
93.853	3600	PET/X LLC	2017-01#A121200	75,493
93.853	3600	PRINCETON UNIVERSITY	SUB0000037 AMO4	102,975
93.853	3600	SEATTLE CHILDREN'S HOSPITAL	11480SUB MOD01	107,240
93.853	3600	SEATTLE CHILDREN'S HOSPITAL	11713SUB	19,920
93.853	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11360SUB AM01	57,135
93.853	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11360SUB MOD02	71,381
93.853	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	UC1LJ16BHS22SIBCR	22,545
93.853	3600	SIBCR	BW215SALAMT2SIBCR	41,984
93.853	3600	STANFORD UNIVERSITY	61311382-124387 AM01	153

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93.853	3600	STANFORD UNIVERSITY	61311382-124387 AM02	53,743
93.853	3600	STANFORD UNIVERSITY	61311385-124387 AM01	29,085
93.853	3600	STANFORD UNIVERSITY	61311385-124387 AM03	241,536
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10284SC	5,393
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	7891SC AM01	-30,017
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	7891SC AM03	-56,601
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	7891SC AM07	-9,966
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	7891SC AM08	47,184
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	7891SC AM09	257,163
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	7891SC MOD02	-62,883
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9670SC AM03	388,033
93.853	3600	UNIVERSITY OF CINCINNATI	010085-135574 AM02	123
93.853	3600	UNIVERSITY OF CINCINNATI	010785-135574 AM01	4,291
93.853	3600	UNIVERSITY OF CINCINNATI	U01NS091951-135574 AM3	11,538
93.853	3600	UNIVERSITY OF MINNESOTA	N004688501 AM02	363
93.853	3600	UNIVERSITY OF MINNESOTA	N004688501 AM03	6,773
93.853	3600	UNIVERSITY OF MINNESOTA	N004689401 MOD02	894
93.853	3600	UNIVERSITY OF PENNSYLVANIA	567147 AM 02	29,154
93.853	3600	UNIVERSITY OF PENNSYLVANIA	567147 AM01	7,745
93.853	3600	UNIVERSITY OF PENNSYLVANIA	572976	15,754
93.853	3600	UNIVERSITY OF PITTSBURGH	0030451 AM04	-4,383
93.853	3600	UNIVERSITY OF PITTSBURGH	00304511285553AM01	114
93.853	3600	UNIVERSITY OF TENNESSEE	18-3098 UNIVWASH	20,125
93.853	3600	UNIVERSITY OF TENNESSEE	NS044163UNIVOFWAAM06	47,577
93.853	3600	UNIVERSITY OF TEXAS	0010073AAM055R01NS0875	43,827
93.853	3600	UNIVERSITY OF WISCONSIN MADISON	168471PO667K995AM01	5,397
93.853	3600	WRIGHT STATE UNIVERSITY	P0033442 AM004	55,866
93.853	3650	OR HLTH SCI UNIV	1005874WSU	39,315

State of Washington
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Note F: Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended June 30, 2018 (Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.853	3650	SPERAGEN INC	127704001	29,062
93.855	3600	*BRIGHAM AND WOMEN'S HOSPITAL INC	110208 MOD05	117,554
93.855	3600	*NORTHERN CA INST FOR RESEARCH & EDUC	SUL1847-02 AM04	118,905
93.855	3600	*SEATTLE CHILDREN'S HOSPITAL	10995SUB MOD07	216,904
93.855	3600	*SEATTLE CHILDREN'S HOSPITAL	11070SUB MOD02	-15,132
93.855	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	31103A AM01	22,193
93.855	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	31103F, PO625872	37,247
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0109805S45	32,808
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0121301S01	963
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0121301S025U19AI125378	143,842
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0121402S01-A01	137,387
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0121701S02	2,639
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	FY17121702 AM01	95,074
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	FY17ITN264	11,678
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	109927 MOD06	127,486
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	109927MOD09UM1AI106701	204,380
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	110007 AM05	15,995
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	110238 AM03	-2,560
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	111670 MOD02	61,143
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	111670 MOD03	76,909
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	112668 AM02	-3,029
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	112668 AM03	225,351
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	5UM1AI106701-04	99,753
93.855	3600	CASE WESTERN RESERVE UNIVERSITY	RES510939 AM02	550,297
93.855	3600	CASE WESTERN RESERVE UNIVERSITY	RES511738	118,922
93.855	3600	CASE WESTERN RESERVE UNIVERSITY	RES5127395U01AI1156420	72,013
93.855	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UW-19004	43,844
93.855	3600	DUKE CLINICAL RESEARCH INSTITUTE (DCRI)	189925/218470	-1,917

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.855	3600	DUKE UNIVERSITY	2037020	14,825
93.855	3600	DUKE UNIVERSITY	2037025	61,220
93.855	3600	EMORY UNIVERSITY	T683917 AM01	19,911
93.855	3600	EMORY UNIVERSITY	T847388	292,451
93.855	3600	FAMILY HEALTH INTERNATIONAL	971/0080.0173 AM10	6,707
93.855	3600	FAMILY HEALTH INTERNATIONAL	971/0080.0173 AM11	10,132
93.855	3600	FHI360	PO17001138 AM03	40,945
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000841668 AM02	55,275
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000856430 AM01	594
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000870411 AM01	8,343
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000875388	1
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879582	4,451
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879635	-77
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883691	8,415
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000887425	30,307
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000887549	118,152
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000887601	4,905
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000887685 AM01	29,904
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000887761	6,858
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000887953 AM01	249,112
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000888014	39,064
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000888188	148,883
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000888210	207,282
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000888298	12,435
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000888403	125,244
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000888628	10,516
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000890971	4,550
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000891079	54,127

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000891675	291
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000891987	55,995
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000892218	26,654
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000892559	134,533
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000892559 AM02	510,124
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000892600	109,183
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894739	1,367
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894741 AM01	102,921
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894982 AM01	20,912
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000895374 AM01	209,689
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000896023 AM01	228,562
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000898278	24,952
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000900629 AM01	227,433
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000901494	460,048
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000901495	83,537
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000901599	41,110
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000904865	2,517
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000909940	12,057
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00009100571R01AI131914	203,391
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000910222	69,139
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000910632 AM01	84,317
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000910639	231,210
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000911463	249,999
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000911466 AM01	304,202
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000911482	45,427
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000911538 AM01	934,830
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000912134	14,234
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000912667	228,741

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000913192	17,586
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000917455	90,078
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000924578	384,511
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000924579 AM01	7,866
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000924580 AM01	202,602
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000924811	76,823
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000924908	68,846
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000925409 AM01	37,932
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000925600	337,315
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000925640 AM01	205,507
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000925917 AM01	173,451
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000926261	46,779
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000926262	44,314
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000927247 AM01	164,204
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000927508 AM01	598,416
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000927519	23,995
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000927588	3,084
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000929251 AM01	190,024
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000929253 AM01	32,939
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000929751	907,381
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000931843	61,508
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000933143 AM01	170,256
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000934004	31,536
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000934017	20,322
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000934054 AMEND 1	61,386
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000935316	14,672
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000941137	135,562
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000941451 AM01	72,614

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000943535	253
93.855	3600	HOSPITAL FOR SICK CHILDREN	6610100083	7,494
93.855	3600	HOSPITAL FOR SICK CHILDREN	6610100083 AM03	84,040
93.855	3600	ID GENOMICS INC	IDG_UW_02	460,614
93.855	3600	JOHNS HOPKINS UNIVERSITY	2002131141 MOD03	-1,988
93.855	3600	JOHNS HOPKINS UNIVERSITY	2003036376 MOD02	1,215
93.855	3600	JOHNS HOPKINS UNIVERSITY	2003036376 MOD03	492,014
93.855	3600	JOHNS HOPKINS UNIVERSITY	LDR 01 MOD 02	14,946
93.855	3600	JOHNS HOPKINS UNIVERSITY	LDR 01 MOD 04	23,660
93.855	3600	KECK GRADUATE INSTITUTE	GR700507UW AM02	24,362
93.855	3600	KECK GRADUATE INSTITUTE	GR700507UW AM03	41,119
93.855	3600	KINETA INC	8538 MOD03	129,400
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	4680	310,678
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	4688	15,022
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	9447	75,327
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	9493	32,952
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	9503	50,788
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	9512 AM01	101,240
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	9541 AM01	15,490
93.855	3600	MAHIDOL UNIVERSITY	51U01AI115520-03_UW_Y3	42,037
93.855	3600	MAHIDOL UNIVERSITY	5U01AI11552004UWY4	42,209
93.855	3600	MONTANA STATE UNIVERSITY	G164-18-W7010	48,661
93.855	3600	OHIO STATE UNIVERSITY	60052605 AM04	64,420
93.855	3600	OHIO STATE UNIVERSITY	60062782	19,636
93.855	3600	PENNSYLVANIA STATE UNIVERSITY	5636-UW-DHHS-0676 AM01	25,870
93.855	3600	PROFECTUS BIOSCIENCES INC	16-351 MOD01	4,997
93.855	3600	PROFECTUS BIOSCIENCES INC	PO# 14-267 AM01	36,235
93.855	3600	PROFECTUS BIOSCIENCES INC	PO# 14-267 AM05	354,383

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93.855	3600	PROFECTUS BIOSCIENCES INC	PRIME# R44AI089290	212,500
93.855	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	0369	77,912
93.855	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	8327 AM01	133,147
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	10972SUB MOD03	33,976
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11229SUB MOD02	13,658
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11229SUB MOD03	12,874
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11415SUB AM01	92,776
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11431SUBPR4R01AI100989	251
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11645SUB	200,293
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11670SUB	93,650
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11671SUB	77,109
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10592SUB MOD07	55,093
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11576SUB	15,053
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11576SUB-MO02	233,279
93.855	3600	THERAPEUTIC SYSTEMS RESEARCH LABS	A119810	306,510
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000421524-002 AM06	28,890
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000503356-SP002-016	75,596
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000510836-006	43,229
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000510836-006 A01	113,208
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000510836-006 AM03	596,502
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	UW662172	176,284
93.855	3600	UNIVERSITY OF CALIFORNIA DAVIS	201223949-01 AM05	49,241
93.855	3600	UNIVERSITY OF CALIFORNIA DAVIS	201303042-08 AM001	113,306
93.855	3600	UNIVERSITY OF CALIFORNIA IRVINE	2017-3539	75,031
93.855	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1559 G TA522 AM04	-8,033
93.855	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1559 G TA522 AM06	106,014
93.855	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	73440803 AM002	29,516
93.855	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10019SCAM015R01AI09847	30,072

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.855	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10182SC AMEND 1	7,273
93.855	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10182SC2U19AI08967408R	24,626
93.855	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9506SC AM02	26,893
93.855	3600	UNIVERSITY OF CENTRAL FLORIDA	22206063 AM02	-1,190
93.855	3600	UNIVERSITY OF FLORIDA	UFDSP00010839AM02R21AI	33,079
93.855	3600	UNIVERSITY OF MASSACHUSETTS DARTMOUTH	18907	5,359
93.855	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	OSP20180361P01AI132130	146,121
93.855	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5105098 AM02	94,393
93.855	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5107081	168,227
93.855	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5108671 (U19AI100625)	345,382
93.855	3600	UNIVERSITY OF PENNSYLVANIA	568523AM015R21AI124868	9,536
93.855	3600	UNIVERSITY OF PENNSYLVANIA	569316	-7,487
93.855	3600	UNIVERSITY OF PENNSYLVANIA	569316 AM2	201,595
93.855	3600	UNIVERSITY OF PENNSYLVANIA	571209 AM01	10,824
93.855	3600	UNIVERSITY OF TEXAS DALLAS	GMO 130301 AM05	252,953
93.855	3600	UNIVERSITY OF WISCONSIN MADISON	694K201 AM001	9,955
93.855	3600	UNIVERSITY OF WISCONSIN MADISON	762K3115UM1AI11427104A	147,663
93.855	3650	SEATTLE CHILDREN'S HOS	11464SUB	-4,687
93.855	3650	SEATTLE CHILDREN'S HOS	11465SUB	14,256
93.855	3650	UNIV OF ID FED	ABK855SB001	807
93.855	3650	UNIV OF LOUISVILLE	ULRF17102401	3,683
93.855	3650	UNIV OF MN FED FLOW	H004942302	207,867
93.855	3650	UNIV OF NC CHAPEL HILL	5106846	260,072
93.855	3650	UNIV OF TX HEALTH SCIE	157717157715	28,227
93.859	3600	*CHILDREN'S HOSP & RSCH CTR AT OAKLAND	12_8036_UWASH_02 AMO1	24,767
93.859	3600	*INSTITUTE FOR SYSTEMS BIOLOGY	2015.0001 AM03	40,793
93.859	3600	BELBROOK LABS LLC	R44GM123833	4,460
93.859	3600	CHILDREN'S HOSPITAL & RSCH CTR OAKLAND	12_8036_UWASH_03 AM02	14,321

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93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000872625 AM01	-5,255
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000874922	-19,948
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894875 AM1	42,487
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000910049	120,096
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000910275	164,671
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000918045	53,445
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000927366	29,945
93.859	3600	JOHNS HOPKINS UNIVERSITY	2002735434 AM03	24,906
93.859	3600	JOHNS HOPKINS UNIVERSITY	2002735434 AM04	10,845
93.859	3600	MATCHSTICK TECHNOLOGIES INC	A127786	184,461
93.859	3600	RESEARCH FOUNDATION FOR THE SUNY	R960652 AM03	128,001
93.859	3600	SOUTHCENTRAL FOUNDATION	2017-254	68,041
93.859	3600	UNIVERSITY OF ALASKA ANCHORAGE	R0303171	3,425
93.859	3600	UNIVERSITY OF CALIFORNIA DAVIS	201703197-04 AM02	425,795
93.859	3600	UNIVERSITY OF CALIFORNIA DAVIS	20170319705A170013S001	328,488
93.859	3600	UNIVERSITY OF CALIFORNIA IRVINE	2016-3369 AM01	77,510
93.859	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3002887843 AM04	-1,535
93.859	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5103989	-6,435
93.859	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5107298 AM02	75,093
93.859	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	48299071 AM03	9,971
93.859	3600	UNIVERSITY OF UTAH	10044932-08 AM01	221,450
93.859	3600	UNIVERSITY OF WYOMING	1003716 - WASHINGTON	16,039
93.859	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 55495 AM01	-3,478
93.859	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 55495 AM02	200,029
93.859	3600	WEST VIRGINIA UNIVERSITY	13-606-UW	11,966
93.859	3650	RUSH UNIVERSITY	1R01GM11125401	121,231
93.859	3650	TEMPLE UNIVERSITY	257109WSU	220,594
93.859	3650	UNIV OF CO DENVER	FY15652002	11,858

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93.859	3650	UNIV OF S CA	54076616	64,255
93.859	3650	WASHINGTON UNIV IN ST	WU17182	135,298
93.865	3600	*ALBERT EINSTEIN HEALTHCARE NETWORK	R01 HD 061400-05	7,391
93.865	3600	*SEATTLE CHILDREN'S HOSPITAL	11312SUB MOD03	83,680
93.865	3600	*SEATTLE CHILDREN'S RESEARCH INSTITUTE	10893SUB MOD05	28,290
93.865	3600	BAYLOR COLLEGE OF MEDICINE	7000000288 AM01	294,558
93.865	3600	BILICAM LLC	0907780101 AM01	71,251
93.865	3600	BILICAM LLC	0907780101 AM02	86,801
93.865	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	ACTIVITY3200660619PO96	28,877
93.865	3600	CORNELL UNIVERSITY	77319-10682 AM01	24,769
93.865	3600	FLORIDA STATE UNIVERSITY	R01991	30,090
93.865	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000918229	50,947
93.865	3600	GEORGE WASHINGTON UNIVERSITY	S-MFM1617-JB13	43,737
93.865	3600	GEORGE WASHINGTON UNIVERSITY	S-MFM1718-JB13	16,551
93.865	3600	HARVARD UNIVERSITY	114205-1387-5107643	13,162
93.865	3600	JOHNS HOPKINS UNIVERSITY	UW632577	18,536
93.865	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2017139089	77,727
93.865	3600	KAISER PERMANENTE	RNG200508-2-UW AM02	62,527
93.865	3600	OHIO STATE UNIVERSITY	60060209PTER01HD086227	71,328
93.865	3600	OHIO WILLOW WOOD COMPANY	1R41HD09347601AM01PRIM	55,249
93.865	3600	ROSWELL PARK CANCER INSTITUTE	288-01	23,288
93.865	3600	SEATTLE CHILDREN'S HOSPITAL	11655SUB	11,027
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10988SUB MOD04	7,897
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11348SUB MOD01	30,937
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11362SUB MOD3	5,711
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11614SUB MOD01	104,294
93.865	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000512823-004	11,780
93.865	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000512823-004 A01	103,335

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93.865	3600	UNIVERSITY OF CALIFORNIA DAVIS	201224693-05 AM02	133,502
93.865	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1920 G RA131 AM04	24,534
93.865	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1920 G UA066 AM02	123,393
93.865	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8703SC AM02	-125
93.865	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8703SC AMENDMENT 3	71,672
93.865	3600	UNIVERSITY OF CALIFORNIA SANTA BARBARA	KK1602 AM02	8,748
93.865	3600	UNIVERSITY OF ILLINOIS CHICAGO	16707-00	7,736
93.865	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003294837 AM03	179,223
93.865	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003879380 AM02	28,460
93.865	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3004910137	21,279
93.865	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5104622	-1,926
93.865	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5109092	219,052
93.865	3600	UNIVERSITY OF PITTSBURGH	0019692(125895-2) AM02	1
93.865	3600	UNIVERSITY OF PITTSBURGH	0048860 (126873-12)	15,335
93.865	3600	UNIVERSITY OF PITTSBURGH	0051592 (128416-3)AM01	689
93.865	3600	UNIVERSITY OF TEXAS	16-088	480
93.865	3600	UNIVERSITY OF WISCONSIN MADISON	773K253	121,423
93.865	3650	UNIV OF NE FED	3453212003009	80,642
93.865	3650	UNIV OF NE FED	3453212003508	14,450
93.865	3650	UNIV OF WISCONSIN-MADI	660K155	11,543
93.866	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	31104C AM01	32,103
93.866	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	31104C1U19AG05627801	142,620
93.866	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	31594G AM04 (PO645932)	6,393
93.866	3600	BOARD OF TRUSTEES OF THE LELAND STANFORD	61627910-128473	11,886
93.866	3600	BOSTON UNIVERSITY	4500001378 AM04	1,956
93.866	3600	BOSTON UNIVERSITY	4500002380 AM004	46,300
93.866	3600	BOSTON UNIVERSITY	4500002537	27,054
93.866	3600	BRIGHAM AND WOMEN'S HOSPITAL	115640 AM03	69,863

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.866	3600	BROWN UNIVERSITY	00000817 AM02	5,253
93.866	3600	BROWN UNIVERSITY	00000826 AM02	14,369
93.866	3600	BROWN UNIVERSITY	00000844 AM03	269,289
93.866	3600	DARTMOUTH COLLEGE	1540R22 AM05	42,359
93.866	3600	DREXEL UNIVERSITY	800084-B	31,163
93.866	3600	DUKE UNIVERSITY	203-5796 AM01	8,708
93.866	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00009010535R01AG048209	140,054
93.866	3600	JACKSON LABORATORY	TBI	71,409
93.866	3600	KAISER FOUNDATION HEALTH PLAN OF WA	AG006781-29-UW MOD01	1,049,418
93.866	3600	KAISER FOUNDATION HOSPITALS	RNG200188-2-UW	18,085
93.866	3600	MICHIGAN STATE UNIVERSITY	RC105335G AM03	6,012
93.866	3600	NORTHWESTERN UNIVERSITY	60048330 UW	5,049
93.866	3600	NORTHWESTERN UNIVERSITY	60048332 UW	173,285
93.866	3600	SIBCR	PE155RM12SIBCR	52,551
93.866	3600	STANFORD UNIVERSITY	61271806-124384	-39
93.866	3600	STANFORD UNIVERSITY	61314414-124531	3,417
93.866	3600	STANFORD UNIVERSITY	61314414-124531 AM02	455,038
93.866	3600	STANFORD UNIVERSITY	61344876-124384	-1
93.866	3600	TUFTS MEDICAL CENTER	5005011-SERV AM05	16,595
93.866	3600	UNIVERSITY OF CALIFORNIA DAVIS	A18-0168-S004	17,116
93.866	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1558 G TA326 AM004	79,437
93.866	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1558 G VA058	15,000
93.866	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	103893218 AM01	8,518
93.866	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9499SC AM01	8,721
93.866	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00474330/OSP2017056	4,483
93.866	3600	UNIVERSITY OF MIAMI	SPC-000277 AM01	152,580
93.866	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003801558 AM05	334,834
93.866	3600	UNIVERSITY OF MISSOURI COLUMBIA	C00049862-1 AM1	33,296

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.866	3600	UNIVERSITY OF NEVADA RENO	UNR-17-36	653
93.866	3600	UNIVERSITY OF NEVADA RENO	UNR-17-36 AM01	95,664
93.866	3600	UNIVERSITY OF PENNSYLVANIA	571400, AM02	10,988
93.866	3600	UNIVERSITY OF PENNSYLVANIA	571400, AM03	38,696
93.866	3600	UNIVERSITY OF PENNSYLVANIA	573045	18,155
93.866	3600	UNIVERSITY OF PENNSYLVANIA	573992, AM04	11,464
93.866	3600	UNIVERSITY OF PENNSYLVANIA	UW667666	2,133
93.866	3600	UNIVERSITY OF PITTSBURGH	0012200 (122381-6)AM05	-1,194
93.866	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	96327478	17,341
93.866	3600	UNIVERSITY OF UTAH	10041896	46,996
93.866	3600	UNIVERSITY OF VERMONT	30340SUB52029UOFWASHAM	126,539
93.866	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 40785	-14,874
93.866	3600	WAKE FOREST UNIVERSITY	WFUHS 112971 AM02	23,044
93.866	3600	WAKE FOREST UNIVERSITY	WFUHS 115048 AM05	23,596
93.866	3600	WAKE FOREST UNIVERSITY	WFUHS 441338 AM 1	18,078
93.866	3600	YESHIVA UNIVERSITY	31594E AM03	-12
93.866	3650	UNIV OF COLORADO	FY16001015	50,676
93.866	3650	UNIV OF NM	765335874P	78,795
93.866	3650	UNIV OF NM	765361874P	86,354
93.867	3600	CHROMOLOGIC, LLC	A132551	78
93.867	3600	JAEB CENTER FOR HEALTH RESEARCH, INC. (JCHR)	PROTOCOL #U SITE 47	7,365
93.867	3600	JOHNS HOPKINS UNIVERSITY	2002745508 AM03	-1,300
93.867	3600	JOHNS HOPKINS UNIVERSITY	2002745508 AM04	2,139
93.867	3600	MEDICAL COLLEGE OF WISCONSIN	FP4494_REN02	25,596
93.867	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1002605_UW AM03	-4,952
93.867	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1002605_UW AM04	80,304
93.867	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00007517 AM07	2,726

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93.867	3650	JOHNS HOPKINS UNIV	2003370134	127,624
93.879	3600	BOSTON CHILDREN'S HOSPITAL	RSTFD0000691705 AM01	-24,822
93.879	3600	BOSTON CHILDREN'S HOSPITAL	RSTFD0000691705 AM02	34,614
93.879	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2017143574 AM01	10,577
93.879	3600	UNIVERSITY OF ARIZONA	298692 AM03	1,443
93.879	3600	UNIVERSITY OF PITTSBURGH	00404781240953AM05	18,869
93.933	3600	SOUTHCENTRAL FOUNDATION	2017-003	16,632
93.933	3600	SOUTHCENTRAL FOUNDATION	2017-004	98,133
93.933	3600	SOUTHCENTRAL FOUNDATION	2018-029	160,996
93.933	3650	SOUTHCENTRAL FOUNDATIO	2017127	18,917
93.945	3600	SEATTLE CHILDREN'S HOSPITAL	11554SUB	1,503
93.945	3600	SEATTLE CHILDREN'S HOSPITAL	11750SUB	4,585
93.945	3600	WAKE FOREST UNIVERSITY	WFUHS 114527 AMEND 1	21,161
93.945	3600	WAKE FOREST UNIVERSITY	WFUHS 114528 AMEND 2	39,047
93.945	3600	WAKE FOREST UNIVERSITY	WFUHS116058U18DP006131	18,574
93.977	3600	MISSISSIPPI DEPARTMENT OF HEALTH	13010103000000ST	25,450
93.977	3600	MISSISSIPPI DEPARTMENT OF HEALTH	SG-652	83,696
93.989	3600	KWAME NKRUMAH UNIVERSITY OF SCI & TECH	819CHS0502	8,441
93.989	3600	KWAME NKRUMAH UNIVERSITY OF SCI & TECH	A110910819CHS0502AM01	65,121
93.989	3600	UNIVERSIDAD PERUANA CAYETANO HEREDIA	A105624/A116704 AM02	38,769
93.989	3600	UNIVERSIDAD PERUANA CAYETANO HEREDIA	A116705 AM02	20,071
93.989	3600	UNIVERSIDAD PERUANA CAYETANO HEREDIA	A116705 AM03	122,646
93.989	3600	UNIVERSITY OF NAIROBI	P-HERT YEAR 2	7,727
93.989	3600	UNIVERSITY OF NAIROBI	UON-UW5D43TW010141-03	218,750
93.989	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 40785 AM02	4,107
93.RD	3600	*JOHNS HOPKINS UNIVERSITY	P1090 PO#2002565212	7,231
93.RD	3600	*UNIVERSITY OF ROCHESTER	416495-G AM02	9,393
93.RD	3600	ABT ASSOCIATES INC	47346 MOD02	41,466

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93.RD	3600	ABT ASSOCIATES INC	47508	5,185
93.RD	3600	ABT ASSOCIATES INC	47676	8,621
93.RD	3600	ABT ASSOCIATES INC	48546 MOD02	2,457
93.RD	3600	ADVANCED BIOSCIENCE LABORATORIES	14011000070000MOD01	279,483
93.RD	3600	AMERICAN PSYCHIATRIC ASSOCIATION	UW631106	2,730
93.RD	3600	BEAT BIOTHERAPEUTICS CORP	UW632909	50,051
93.RD	3600	BIOQUAL INC	HHSN27200012 MOD06	4,584
93.RD	3600	BIOQUAL INC	HHSN27200013	1,024,678
93.RD	3600	BLOODWORKS NORTHWEST	865-UW-2017	17,130
93.RD	3600	BOSTON CHILDREN'S HOSPITAL	ADDENDUM 1	31,839
93.RD	3600	CAI GLOBAL	6 TP1AH000106-03-01	167,774
93.RD	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWCRYO-13600	252,080
93.RD	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWIPD-13600	58,267
93.RD	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWNMR-13599	43,262
93.RD	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWNMR-13600	60,785
93.RD	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWPPG-13599	239,307
93.RD	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWPPG-13600	604,076
93.RD	3600	CICATELLI ASSOCIATES INC	5 TP1AH000106-02-00	54,992
93.RD	3600	CITY OF MERCER ISLAND	UW662252	15,443
93.RD	3600	COMPUTERCRAFT CORPORATION	CC FORM SUB UW#2 MOD2	236,394
93.RD	3600	COMPUTERCRAFT CORPORATION	SUBCONTRACT NO.3	381,957
93.RD	3600	DARTNET INSTITUTE	200201587699PO00012000	14,686
93.RD	3600	DARTNET INSTITUTE	PO111110200201587699	13,029
93.RD	3600	EMMES CORPORATION	MOD09	16,732
93.RD	3600	FENWAY COMMUNITY HEALTH	349-BEAUFORT AM01	-1,278
93.RD	3600	FENWAY COMMUNITY HEALTH	PRIME: NU38OT000223	1,187
93.RD	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000865655 AM 2	4,555
93.RD	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000865655 AM01	11,445

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.RD	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000908589 AM01	10,583
93.RD	3600	HEALTH RESEARCH & EDUCATIONAL TRUST	80781 AM01	56,335
93.RD	3600	HEALTH RESEARCH & EDUCATIONAL TRUST	PROJECT #80778 AM02	74,233
93.RD	3600	ICF INCORPORATED, LLC	16JTSK0203 MOD01	25,239
93.RD	3600	KAISER FOUNDATION HEALTH PLAN OF WA	HHSN272200800004C-UW	106,783
93.RD	3600	KAISER FOUNDATION HEALTH PLAN OF WA	RNG002833BUDG03SUBUWMO	9,040
93.RD	3600	KAISER FOUNDATION HEALTH PLAN OF WA	TO1PO20151811380MOD06	942
93.RD	3600	KAISER FOUNDATION HEALTH PLAN OF WA	TO1PO2017135605MOD07	6,513
93.RD	3600	KAISER FOUNDATION HEALTH PLAN OF WA	TO1PO2017135608MOD07	43,224
93.RD	3600	KINETA INC	4594 MOD02	42,897
93.RD	3600	LEIDOS BIOMEDICAL RESEARCH INC	P9825 / P9881 AM02	78,977
93.RD	3600	MASSACHUSETTS GENERAL HOSPITAL*	220778 MOD04	3,234
93.RD	3600	NATIONAL COUNCIL FOR BEHAVIORAL HEALTH	2500.9026	34,499
93.RD	3600	NATIONAL COUNCIL FOR BEHAVIORAL HEALTH	2500.9026 A3	84,825
93.RD	3600	NORTHROP GRUMMAN CORPORTATION	7500160942	13,406
93.RD	3600	NORTHWESTERN UNIVERSITY	SP0033779600443 58UWASH	9,201
93.RD	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004354_UWA AM04	155,846
93.RD	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004354_UWA AM05	176,770
93.RD	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1009898_UWA	50,849
93.RD	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1010240_UWA	68,134
93.RD	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1010409_UWA	73,798
93.RD	3600	QUALITY BIOLOGICAL, INC.	TO # TOASNHP033	54,065
93.RD	3600	RADIOLOGICAL SOCIETY OF NORTH AMERICA	HHSN268201500021C (AA)	8,716
93.RD	3600	RADIOLOGICAL SOCIETY OF NORTH AMERICA	HHSN268201500021C (X)	12,052
93.RD	3600	RADIOLOGICAL SOCIETY OF NORTH AMERICA	HHSN268201500021CPH35A	13,977
93.RD	3600	RAND CORPORATION	9920160064 AM02	13,023
93.RD	3600	SEATTLE & KING COUNTY PUBLIC HEALTH	2287 PREV	14,470
93.RD	3600	SHEEHAN MEDICAL DEVICE CORPORATION	AM03	23,242

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93.RD	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW633172	2,309
93.RD	3600	TAPCLOUD LLC	UW631735	22,509
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918-T013-011	1,516
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918-T015-003	59,545
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918-T015-004	23,261
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918-T016-009	13,921
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918T008SC003AM01	-4,240
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918T011005AM01	76,782
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918T013011AM01	4,375
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000501394-005 AM4	8,117
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000509388-T006-001	189,475
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000509388T004001AM01	318,371
93.RD	3600	UNIVERSITY OF COLORADO DENVER	PO 1000757594	34,950
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	1600258A-1325 AM03	156,386
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	1600258A-1326 AM02	35,073
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	1600258A-1327 AM02	39,418
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	1600258A-1658 AM04	66,120
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK114466POSR00004414	807
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK1414471POSR0000441	415
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK214467POSR00004415	5,486
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK314468POSR00004416	59,993
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK714469POSR00004417	12,640
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK914470POSR00004418	7,706
93.RD	3600	UNIVERSITY OF PITTSBURGH	0024031-6 AM03	107,174
93.RD	3600	UNIVERSITY OF PITTSBURGH	0024031-6 AM06	46,654
93.RD	3600	UNIVERSITY OF PITTSBURGH	0049347-1 AM 002	14,882
93.RD	3600	UNIVERSITY OF PITTSBURGH	0049347-1 AM01	102,834
93.RD	3600	UNIVERSITY OF PITTSBURGH	0049347-1 AM02	41,562

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93.RD	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	76887872 AM02	23,797
93.RD	3600	UNIVERSITY OF UTAH	10042359-02 AM02	243,091
93.RD	3600	UNIVERSITY OF UTAH	NO.10042359-02	45,176
93.RD	3600	UNIVERSITY OF WISCONSIN MADISON	686K836 AM01	329,503
93.RD	3600	UNIVERSITY OF WISCONSIN, MADISON	686K862 AM01	23,726
93.RD	3600	VERAVANTI INC	UW660451	89,999
93.RD	3600	WELLCOME TRUST	UW635330	7,183
93.RD	3600	WESTAT INC	6355TASKORDER63550363	8,244
93.RD	3600	WESTAT INC	PROJECT602005TO5MOD2	35,703
93.RD	3600	WESTAT INC	S6020 TO# 05	15,051
93.RD	3600	WESTAT INC	TO02PROJ602002MOD03	12,340
93.RD	3600	WESTAT INC	TO02PROJ602002MOD04	22,313
93.U01	3650	CATHOLIC CHARITIES SPO	132359001	74,598
93.U02	3650	OPTO-KNOWLEDGE SYSTEMS	160608	94,023
93.U03	3650	DUKE UNIV	2037093	62,027
93.U04	3650	UNIV OF COLORADO	FY18001024	173,965
93.U05	3650	KITSAP COUNTY	KC25816	4,102
93.U06	3650	WESTERN CAROLINA UNIV	WSU003306	2,297
93.U07	3650	RINGFUL HEALTH LLC	WSU003418	1,285
93.U08	3650	RINGFUL HEALTH LLC	WSU003495	32,573
93.U09	3650	RINGFUL HEALTH LLC	WSU003704	17,532
93.U10	3700	Better Health Together	NA	2,000
94.006	3600	JUMPSTART FOR YOUNG CHILDREN INC*	480200	156,789
94.019	3600	JOHN A. HARTFORD FOUNDATION	2015-0077	67,390
95.001	2250	Cowlitz County Sheriff's Office	K12446-TF25	1,125
95.001	3600	EDUCATIONAL SERVICE DISTRICT 105	9001500076-01	37,237
95.001	3600	EDUCATIONAL SERVICE DISTRICT 105	9001600053	22,320
95.001	3600	EDUCATIONAL SERVICE DISTRICT 105	9004000062	13,557

State of Washington
Schedule of Expenditures of Federal Awards
Note F: Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
96.007	3600	MATHEMATICA POLICY RESEARCH INC	40112S05299 AM02	12,138
97.047	3760	MILITARY DEPT.	EMS-14 PC 003	202,659
97.061	3600	UNIVERSITY OF ALASKA ANCHORAGE	P0484663 AM05	91,154
97.061	3600	UNIVERSITY OF ALASKA ANCHORAGE	PO484663 AM04	5,791
97.061	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	2015-01722-03 MOD04	135,318
97.061	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	2015017220215547AM01	-20
97.061	3650	NORTHEASTERN UNIV	50503678050	82,919
97.067	2250	Clallum County Sheriff's Office	K12007-SG86	7,133
97.067	4770	Stevens County	Agreement	3,834
97.067	4770	Whatcom County	201706017	3,033
97.RD	3600	NORTHEASTERN UNIVERSITY	505092-78051 AM03	33,520
97.RD	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	91804998 AM01	73,771
97.U01	3650	JOHNS HOPKINS BLOOMBER	141335	10,159
98.001	3600	FHI360	102137.001.004.003.004	1,073,265
98.001	3600	IMA WORLD HEALTH	IMA0420162USHINDIUWASH	22,465
98.001	3600	THE UNITED NATIONS FOUNDATION	UNF-17-897 AM01	37,338
98.001	3600	UNIVERSITY OF PITTSBURGH	00449784111052AM06	26,969
98.001	3600	US PHARMACOPEIAL CONVENTION	BPO17014WO001MOD001	-14
98.001	3650	UNIV OF CA DAVIS	20140373901	8,833
98.001	3650	VIRGINIA POLYTECHNIC I	45136419276	2,781
98.012	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00008193 AM08	11,314
98.RD	3650	MI ST UNIV	RC102095B1005	8,143
98.RD	3650	MI ST UNIV	RC102095BHEARDBANGLADE	117,992
98.RD	3650	MI ST UNIV	RC102095BHEARDKENYA	39,824
98.RD	3650	RESEARCH TRIANGLE INST	WSU003526	13,431
98.RD	3650	RESEARCH TRIANGLE INST	WSU003527	9,406
98.RD	3650	UNIV OF CA DAVIS	20140022312	29,130
98.RD	3650	UNIV OF CA DAVIS	20150078901	76,969

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
99.RD	3600	CATMEDIA	PO#007W21741	93,883
99.RD	3600	DANA-FARBER CANCER INSTITUTE	PS 6243102	4,305
99.RD	3600	ECS FEDERAL LLC	1740060301 MOD02	51,042
99.RD	3600	ECS FEDERAL LLC	PO#211926	3,844
99.RD	3600	R. D. MINGO AND ASSOCIATES (TRANSPORTATION POLICY CONSULTANTS)	UW668804	3,888
99.RD	3600	UNIVERSITY OF MINNESOTA	H005998401 AM01	47,518
99.RD	3600	WEST VIRGINIA UNIVERSITY	09-097QQ-UW AM02	131,964
99.U01	3650	ETHIOPIA COLL TELECOM	WSU000801	360
			Total Pass-Through Funds	**173,058,460**

Federal Catalog No.	State Agency Number	Federal Program Title	Award/Contract Control Number	Expenditure Amount
12.617	540	Spokane Area WDC-12	7855	10,663
		Federal Program 12.617 Total		**10,663**
17.258	540	Olympic Consortium WDC-1	7316 7326 7336 7376	312,113
17.258	540	SnohomishCounty WDC-4	6665 6666 6675 6676	343,534
17.258	540	North Central WA WDC-8	7686 7706 7866	121,501
17.258	540	Spokane Area WDC-12	7816	216,119
		Federal Program 17.258 Total		**993,266**
17.259	540	North Central WA WDC-8	7716 7726 7756	121,138
17.259	540	Southwest WDC-7	6206 6216	23,674
		Federal Program 17.259 Total		**144,811**
17.277	540	North Central WA WDC-8	7736	23,128
17.277	540	Eastern WA Partnership WDC-10	2995	10,792
17.277	540	Spokane Area WDC-12	3616 7845	33,919
		Federal Program 17.277 Total		**67,839**
17.278	540	Olympic Consortium WDC-1	6344 6354 6387 6397 6536 6615 6636 6646 7346 7355	870,430
17.278	540	SnohomishCounty WDC-4	6685 6686 6756	234,322
17.278	540	KingCounty WDC-5	3177	73,128
17.278	540	North Central WA WDC-8	7746 7766	78,458
17.278	540	Eastern WA Partnership WDC-10	292x 293x 294x	306,333
17.278	540	Spokane Area WDC-12	7806	269,169
		Federal Program 17.278 Total		**1,831,840**

State of Washington
Schedule of Expenditures of Federal Awards
Note H: Supplemental Information - Outstanding Loan Balances

For the Fiscal Year Ended
June 30, 2018
(Expressed in whole dollars)

Federal Catalog No.	Federal Program Title		Ending Loan Balances as of June 30
University of Washington (Agency 3600)			
84.038	Federal Perkins Loan Program_Federal Capital Contr		(5,005,399)
84.038	Federal Perkins Loan Program_Federal Capital Contr		46,692,994
		Subtotal 84.038	**41,687,595**
93.264	Nurse Faculty Loan Program		(273,487)
93.264	Nurse Faculty Loan Program		1,412,471
		Subtotal 93.264	**1,138,984**
93.342	Health Professions Student Loans, Including Primar		1,102,424
93.342	Health Professions Student Loans, Including Primar		10,705,845
		Subtotal 93.342	**11,808,269**
93.364	Nursing Student Loans		363,661
93.364	Nursing Student Loans		2,251,001
		Subtotal 93.364	**2,614,662**
93.408	ARRA - Nurse Faculty Loan Program		(12,538)
93.408	ARRA - Nurse Faculty Loan Program		94,212
		Subtotal 93.408	**81,674**
		University of Washington Total	**57,331,184**

Federal Catalog No.	Federal Program Title	Ending Loan Balances as of June 30
Washington State University (Agency 3650)		
84.038	Federal Perkins Loan Program_Federal Capital Contr	2,095,361
84.038	Federal Perkins Loan Program_Federal Capital Contr	18,510,641
	Subtotal 84.038	**20,606,002**
93.264	Nurse Faculty Loan Program	196,651
93.264	Nurse Faculty Loan Program	1,696,771
	Subtotal 93.264	**1,893,422**
93.342	Health Professions Student Loans, Including Primar	656,577
93.342	Health Professions Student Loans, Including Primar	1,678,935
	Subtotal 93.342	**2,335,512**
93.364	Nursing Student Loans	130,221
93.364	Nursing Student Loans	643,668
	Subtotal 93.364	**773,889**
	Washington State University Total	**25,608,825**
Eastern Washington University (Agency 3700)		
84.038	Federal Perkins Loan Program_Federal Capital Contr	(534,701)
84.038	Federal Perkins Loan Program_Federal Capital Contr	4,689,942
	Subtotal 84.038	**4,155,241**
	Eastern Washington University Total	**4,155,241**
Central Washington University (Agency 3750)		
84.038	Federal Perkins Loan Program_Federal Capital Contr	(846,477)
84.038	Federal Perkins Loan Program_Federal Capital Contr	6,006,924
	Subtotal 84.038	**5,160,447**
	Central Washington University Total	**5,160,447**
The Evergreen State College (Agency 3760)		
84.038	Federal Perkins Loan Program_Federal Capital Contr	(67,118)
84.038	Federal Perkins Loan Program_Federal Capital Contr	3,491,763
	Subtotal 84.038	**3,424,645**
	The Evergreen State College Total	**3,424,645**

Federal Catalog No.	Federal Program Title	Ending Loan Balances as of June 30
Western Washington University (Agency 3800)		
84.038	Federal Perkins Loan Program_Federal Capital Contr	43,270
84.038	Federal Perkins Loan Program_Federal Capital Contr	8,548,261
	Subtotal 84.038	**8,591,531**
	Western Washington University Total	**8,591,531**
Community/Technical College System (Agency 6990)		
84.038	Federal Perkins Loan Program_Federal Capital Contr	(8,998)
84.038	Federal Perkins Loan Program_Federal Capital Contr	1,414,591
	Subtotal 84.038	**1,405,593**
	Community/Technical College System Total	**1,405,593**
	Total Loan Balances	**105,677,466**

State of Washington

Single Audit Report

For Fiscal Year Ended

June 30, 2018

Auditee's Section

Agency Corrective Action Plans

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STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT
Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

March 26, 2019

Washington State Auditor's Office
ATTN: Jim Brownell, Audit Manager
3200 Sunset Way S.E.
Olympia, WA 98504-0031

To the Washington State Auditor's Office:

Enclosed with this letter is the state of Washington's corrective action plan for the following audit findings in the fiscal year 2018 single audit report.

Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
2018-001	State of Washington	G - 7	E - 13
2018-002	Department of Social and Health Services	G - 10	E - 21
2018-003	Department of Health	G - 12	E - 26
2018-004	Department of Health	G - 13	E - 32
2018-005	Department of Health	G - 14	E - 37
2018-006	Department of Health	G - 15	E - 42
2018-007	Office of the State Treasurer	G - 16	E - 48
2018-008	Military Department	G - 17	E - 53
2018-009	Office of Civil Legal Aid	G - 18	E - 57
2018-010	Office of Civil Legal Aid	G - 19	E - 61

Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
2018-011	Department of Transportation	G - 20	E - 66
2018-012	Department of Transportation	G - 21	E - 70
2018-013	Department of Transportation	G - 22	E - 75
2018-014	Department of Transportation	G - 23	E - 83
2018-015	Department of Transportation	G - 24	E - 92
2018-016	Department of Ecology	G - 25	E - 106
2018-017	Department of Ecology	G - 26	E - 110
2018-018	Department of Services for the Blind	G - 27	E - 115
2018-019	Department of Services for the Blind	G - 29	E - 120
2018-020	Department of Services for the Blind	G - 30	E - 123
2018-021	Department of Social and Health Services	G - 31	E - 128
2018-022	Department of Social and Health Services	G - 33	E - 134
2018-023	Department of Social and Health Services	G - 34	E - 139
2018-024	Department of Social and Health Services	G - 36	E - 145
2018-025	Department of Social and Health Services	G - 37	E - 148
2018-026	Department of Social and Health Services	G - 38	E - 154
2018-027	Department of Social and Health Services	G - 40	E - 168
2018-028	Department of Social and Health Services	G - 42	E - 175
2018-029	Department of Social and Health Services	G - 44	E - 181
2018-030	Department of Social and Health Services	G - 46	E - 188
2018-031	Department of Social and Health Services	G - 49	E - 203

Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
2018-032	Department of Commerce	G - 51	E - 209
2018-033	Department of Children, Youth, and Families	G - 53	E - 214
2018-034	Department of Children, Youth, and Families	G - 55	E - 221
2018-035	Department of Children, Youth, and Families	G - 58	E - 236
2018-036	Department of Social and Health Services	G - 60	E - 249
2018-037	Department of Social and Health Services	G - 61	E - 254
2018-038	Department of Social and Health Services	G - 62	E - 259
2018-039	Department of Social and Health Services	G - 63	E - 264
2018-040	Department of Health	G - 64	E - 269
2018-041	Health Care Authority	G - 65	E - 273
2018-042	Health Care Authority	G - 66	E - 280
2018-043	Health Care Authority	G - 68	E - 288
2018-044	Health Care Authority	G - 69	E - 295
2018-045	Health Care Authority	G - 70	E - 301
2018-046	Health Care Authority	G - 71	E - 306
2018-047	Health Care Authority	G - 72	E - 311
2018-048	Health Care Authority	G - 73	E - 322
2018-049	Health Care Authority	G - 74	E - 332
2018-050	Department of Social and Health Services	G - 75	E - 339
2018-051	Department of Social and Health Services	G - 77	E - 347
2018-052	Department of Social and Health Services	G - 78	E - 354

Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
2018-053	Department of Social and Health Services	G - 79	E - 361
2018-054	Department of Social and Health Services	G - 81	E - 366
2018-055	Department of Social and Health Services	G - 83	E - 374
2018-056	Department of Social and Health Services	G - 84	E - 380
2018-057	Department of Social and Health Services	G - 86	E - 394
2018-058	Department of Social and Health Services	G - 88	E - 405
2018-059	Department of Social and Health Services	G - 91	E - 421
2018-060	Department of Social and Health Services	G - 93	E - 433
2018-061	Military Department	G - 95	E - 446

The state's corrective action plan is a compilation of the corrective action plan information provided to us by the applicable state agencies. The corrective action plan document is prepared in conjunction with the 2018 single audit.

We appreciate the efforts of the Washington State Auditor's Office in completing the Single Audit for the state for fiscal year 2018. If you have any questions regarding the corrective action plans, please do not hesitate to contact our office.

Sincerely,

Brian Tinney
Assistant Director, Accounting

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	001	Finding:	The State should improve internal controls over specific areas of recording and reporting financial activity in the State's financial statements.
		Questioned Costs:	<u>CFDA #</u> N/A — <u>Amount</u> $0
		Status:	Corrective action in progress
		Corrective Action:	The Office of Financial Management (OFM), with the collaboration of state agencies, strives for the highest standards in the preparation of the state's financial statements. OFM has discussed the issues with the agencies included in this finding and provided assistance in developing their respective corrective action plans. Responses from each agency are listed below: ***State Board for Community and Technical Colleges*** It is the Board's priority to ensure accurate financial data from the new financial system (ctcLink) is interfaced into the Agency Financial Reporting System (AFRS). Since the fiscal year 2017 audit, the Board has had a support team dedicated to assist the two colleges who implemented the ctcLink system to close their prior fiscal years. As of July 2018, the Board required all colleges' fiscal months be closed on the same schedule. As of November 2018: • The Community Colleges of Spokane closed fiscal years 2016, 2017, and 2018. • The Tacoma Community College closed fiscal year 2018. The Board is currently reviewing and reconciling the colleges' financial data to AFRS and making necessary adjustments to ensure they were recorded accurately in the system. The Board will continue to work with college staff to resolve outstanding issues. By February 2019, the Board will implement an automated process for uploading data from the ctcLink system to AFRS. The new process is expected to reduce the Board's workload and enable more timely and accurate reconciliations and adjustments of college financial data reported in AFRS at year-end. ***Department of Licensing*** The Department is currently conducting a complete reconciliation of revenues to identify the sources of receipts in the clearing account and to correctly classify revenue in the accounting records.

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	001 (cont'd)	Additionally, the Department will: • Implement internal controls to ensure sources of revenue receipts are promptly identified and accurately recorded in the state's accounting system. • Continue to work with OFM to determine the most effective method to monitor, review, and conduct analysis of year-end account balances and properly address any errors. ***University of Washington*** Since the University has a different accounting basis for reporting, OFM processes year-end adjustments to consolidate and properly report the University's financial information in the state's financial statements. In fiscal year 2018, certain misclassification of funds on the University's financial statements were not identified timely, resulting in misstatements on the state's financial statements. OFM and the University will work on strengthening internal controls to ensure the year-end process for consolidating, adjusting and reporting year-end financial data in the state's accounting system are performed timely and accurately. By June 2019, OFM will develop a monitoring plan for higher education institutions to identify issues that require immediate attention during the fiscal year. ***Office of Financial Management*** OFM prepares the state's financial statements in accordance with generally accepted accounting principles. OFM concurs that several year-end adjustments were inaccurately recorded in fiscal year 2018 when implementing the new accounting standards related to pensions and other post-employment benefits. These errors were corrected in the state's final financial statements. OFM is responsible for ensuring all agencies report their fiscal activities accurately, and recognizes the importance of internal controls over recording and reporting financial transactions. OFM has the following procedures in place to monitor and identify significant agency activities that may impact the state's financial reporting: • Perform quarterly, mid-year, and year-end analytical reviews to detect unusual or questionable transactions. • Monitor and review unusual events or unique program activities related to legislative changes or other mandates, and assess the overall statewide impact. • Conduct necessary accounting research for all special and unique transactions and work with responsible agencies to ensure the transactions are properly accounted for and correctly reported in the

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	001 (cont'd)	state's accounting system. When interpretation of standards are not definitive, OFM will seek guidance from the Governmental Accounting Standards Board. • Monitor agencies' financial data by running monthly reports from AFRS to identify incorrect transactions and questionable balances. In fiscal year 2018, OFM utilized a new financial reporting software tool to prepare the State's Comprehensive Annual Financial Report (CAFR). The reporting software tool improved the efficiency and accuracy for developing the report. For fiscal year 2019, OFM has extended the agreed-upon opinion date for the CAFR, allowing additional time for preparation and review. OFM expects that increased proficiency in using the reporting software tool and additional preparation time will allow sufficient dedicated resources for year-end review. OFM maintains ongoing communication with agencies and continually emphasizes the need to seek OFM guidance when reporting unique accounting activities. As of January 2019, OFM: • Increased communication with agencies regarding the importance of preforming regular and timely general ledger reconciliations. • Identified agencies with significant impact to the state's financial statements. Quarterly engagement meetings have been initiated with those agencies to discuss current issues and concerns, and to communicate any updated implementation guidance for new accounting standards. OFM will continue to: • Conduct meetings with all agencies prior to fiscal year-end close to provide important reminders and review outstanding issues. • Provide ongoing training classes to all state agencies on various topics related to the processing and reporting of financial activities. • Work with the State Board for Community and Technical Colleges, Department of Licensing, and the University of Washington to strengthen their internal controls over processing and reporting of financial activities. Completion Date: Estimated August 2019 Contact: Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (360)725-0171 brian.tinney@ofm.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	002	Finding:	The Department of Social and Health Services improperly charged $454,838 to the SNAP Cluster.
		Questioned Costs:	CFDA # / Amount 10.551 / $454,838 10.561
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. In response to prior audit findings, the Department had taken steps to correct the deficiencies identified by the auditors. As of March 2017, the Department's Economic Services Administration implemented a mandatory process for staff to include the month of service (MOS) to transactions processed in the Agency Financial Reporting System (AFRS). The Department utilizes the MOS to perform a monthly review of AFRS transactions to identify unallowable charges and move them to the proper grant year via the journal voucher process. However, at the time of this audit, the Department has not established a process to ensure staff were following procedures to meet period of performance requirements. As of December 2018, the Department had moved the improperly charged expenditures identified in the audit to the proper grant year via the journal voucher process. By April 2019, the Department will update processes and procedures for management oversight to prevent future expenditures from being improperly charged to the wrong grant year. The Department will: • Assign backup coverage during staff absences. • Review and monitor monthly expenditure reports, and take actions where appropriate. • Increase staff accountability through the use of a monthly task list. • Begin meeting monthly with the Accounting and Internal Control Administrator to provide updates on corrective action status related to period of performance issues. If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action. The conditions noted in this finding were previously reported in findings 2017-002, 2016-002, 2015-003, and 2014-022.
		Completion Date:	Estimated April 2019

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	002 (cont'd)	Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov

Department of Health Agency 303

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2018</td><td>003</td><td>Finding:</td><td>The Department of Health improperly charged $151 to the Special Supplemental Nutrition Program for Women, Infants and Children grant.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
10.557 $151</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Department concurs with the finding.

The Department has been working on a new system, Cascades MIS, which issues benefits on electronic benefit cards. The new system has built-in safeguards, which will prevent loading funds onto a client’s benefit card if proof of identity/residence and/or income verification is not provided within 30 days after the initial intake appointment.

By October 2019, the Department will fully implement the Cascades MIS system.

Additionally, the Department will:
• Review current program policies to ensure they comply with federal requirements.
• Clarify policies and rules related to program eligibility with local agencies, and provide training and technical assistance as needed.
• Consult with the federal grantor to discuss whether the known questioned costs identified in the audit should be repaid.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>Estimated December 2019</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Brandy Brush
Acting External Audit Manager
PO Box 47890
Olympia, WA 98504-7890
(360) 236-4547
<u>brandy.brush@doh.wa.gov</u></td></tr>
</table>

Department of Health **Agency 303**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	004	Finding:	The Department of Health improperly charged $31,051 to the Special Supplemental Nutrition Program for Women, Infants and Children grant.
		Questioned Costs:	CFDA # 10.557 — Amount $31,051
		Status:	Corrective action in progress
		Corrective Action:	The Department will strengthen internal controls to insure quarterly time certifications are submitted in a timely manner. This includes: • Reviewing Department policies and procedures to ensure they meet federal requirements. • Evaluating current processes to identify areas that need improvement. • Providing training to staff on Department policies and federal regulations related to time certifications. The Department will consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.
		Completion Date:	Estimated November 2019
		Agency Contact:	Brandy Brush Acting External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 brandy.brush@doh.wa.gov

Department of Health **Agency 303**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	005	Finding:	The Department of Health did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children program received required audits.
		Questioned Costs:	CFDA # 10.557 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. To strengthen internal controls over subrecipient monitoring, the Department will: • Review and update the agency process of monitoring subrecipient audits to ensure the Department complies with federal requirements. • Improve the agency spreadsheet used to track audit activities to include audit periods and due dates. • Implement a process to follow up on subrecipient audit findings and issue timely management decisions. • Provide training and adequate instructions to staff on monitoring subrecipient audit activities.
		Completion Date:	Estimated June 2019
		Agency Contact:	Brandy Brush Acting External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 brandy.brush@doh.wa.gov

Department of Health Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	006	Finding:	The Department of Health did not have adequate internal controls over and was not compliant with cash management requirements for the Special Supplemental Nutrition Program for Women, Infants and Children grant.
		Questioned Costs:	CFDA # 10.557 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. To strengthen internal controls over program cash management, the Department will: • Review and update agency procedures to ensure cash draws are performed in accordance with the Cash Management Improvement Act agreement. • Ensure staff understand the federal requirements related to cash management and provide cross-training on processes to ensure compliance with federal regulations.
		Completion Date:	Estimated September 2019
		Agency Contact:	Brandy Brush Acting External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 brandy.brush@doh.wa.gov

Office of the State Treasurer **Agency 090**

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2018</td><td>007</td><td>Finding:</td><td>The Office of the State Treasurer did not have adequate internal controls to properly identify and notify participating counties of the amount and source of funds they received for the Schools and Roads program.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> 10.665   <u>Amount</u> $0</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action complete</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Office does not concur with the finding.

It is the Office’s priority to establish and maintain an effective system of internal controls to ensure financial integrity of public funds. The error reported in this finding was an isolated incident that was identified prior to the audit. As of July 2018, the Office had promptly corrected the mistake and subsequently followed up with each county to confirm the funding source was correctly recorded in their systems.

The Office continually makes improvement to internal processes and appreciates the auditor’s recommendations to strengthen controls over the proper identification of funding types and amounts to participating counties of the program.

The Office has:
Provided training to responsible staff to properly identify the different funding types.
Established procedures to perform adequate review of the disbursements to ensure the amounts and funding types are reported accurately to the counties.
The Office continues to strive for the highest standards in fiscal management. The internal audit position recently added to the Office’s staff will provide on-going evaluation and monitoring of the Office’s internal procedures and control activities.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>July 2018</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Dan Mason
Budget and Fiscal Director
PO Box 40207
Olympia, WA 98501
(360) 902-8990
<u>Dan.Mason@tre.wa.gov</u></td></tr>
</table>

Military Department

Agency 245

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	008	Finding:	The Military Department charged payroll costs to the Military Operations and Maintenance program that were not properly supported.
		Questioned Costs:	CFDA # 12.401 — Amount $82,338
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. Department policy requires: • Employees who are permanently assigned to activities directly benefiting a single federal program to submit a Certification of Time and Effort (certification) on a quarterly basis. • Supervisors to review certifications for accuracy before submitting to the Payroll Office. In some cases, despite efforts made by the Payroll Office to send reminders to employees and their supervisors, the certifications were never submitted to the Payroll Office. The Department will initiate the following actions to ensure payroll costs charged to a federal grant are supported by required documentation: • Update time and effort reporting policy to provide timekeeping guidance and clarify requirements. • Provide copies of the policy to employees and supervisors who are subject to the certification requirement and are not overtime eligible. • Provide training to employees and supervisors on Department's expectations regarding time and effort certification. • Payroll Office will follow up with employee supervisor for any past due certifications. Continued non-compliance with Department policy will lead to escalated actions as necessary until required documentation is received. The Department will consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.
		Completion Date:	Estimated September 2019
		Agency Contact:	Rich Shimizu Deputy Finance Director Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-7596 Rich.shimizu@mil.wa.gov

Office of Civil Legal Aid Agency 057

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	009	Finding:	The Office of Civil Legal Aid did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Crime Victims Assistance program received required audits.
		Questioned Costs:	CFDA # 16.575 — Amount $0
		Status:	Corrective action complete
		Corrective Action:	The Office concurs with the finding. As of January 2019, the Office has: • Established and implemented policies and procedures to monitor subrecipient audits in accordance with federal regulations. • Developed an audit certification form to determine if subrecipients are subject to audit requirement based on established criteria. The new process requires: • Subrecipients subject to the audit to: o Submit audit reports by specified due dates. o Complete corrective action plans and management responses if audit reports include findings. • Subrecipients not subject to audit must submit signed certifications of exemption within nine months of the end of the subrecipient's fiscal year. Additionally, the Office has established a system to track subrecipients fiscal year-end and send annual notification of certification due date. Since implementation of the new policies and procedures, the Office has received three Single Audit reports and one certification of exemption.
		Completion Date:	January 2019
		Agency Contact:	James A. Bamberger Director PO Box 41183 Olympia, WA 98504-1183 (360) 704-4135 jim.bamberger@ocla.wa.gov

Office of Civil Legal Aid

Agency 057

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	010	Finding:	The Office of Civil Legal Aid did not have adequate internal controls over and did not comply with requirements to ensure subgrants of the Crime Victim Assistance Program received required risk assessments.
		Questioned Costs:	CFDA # 16.575 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Office concurs with the finding. To address the audit recommendations, the Office has: • Established and implemented policies and procedures to ensure risk assessments of subrecipients are performed and properly documented. • Developed a risk assessment tool to evaluate the ability of each subrecipient to perform the work and manage the administrative and financial responsibilities in accordance with the subgrant's terms and conditions. Results of the risk assessment will be used as the basis for determining the level and type of monitoring activities. • Developed a risk assessment and monitoring checklist to track required monitoring activities. In addition, the Office will improve internal controls over monitoring subrecipients by: • Conducting initial risk assessment prior to entering into a new subgrant agreement. • Performing annual reassessments of all subrecipients within 30 days of the start of the state fiscal year. • Implementing necessary corrective actions and scheduling appropriate follow-up activities if a risk assessment indicates an elevated risk associated with the subrecipient. By April 2019, the Office will complete initial assessments of all current subrecipients.
		Completion Date:	Estimated April 2019
		Agency Contact:	James A. Bamberger Director PO Box 41183 Olympia, WA 98504-1183 (360) 704-4135 jim.bamberger@ocla.wa.gov

Department of Transportation Agency 405

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	011	Finding:	The Washington State Department of Transportation did not have adequate internal controls over and did not comply with suspension and debarment requirements.
		Questioned Costs:	CFDA # / Amount 20.205 / $0 20.224
		Status:	Corrective action in progress
		Corrective Action:	The Department is committed to ensuring grant programs comply with federal regulations. The Department's program staff performed a review of the subrecipients and confirmed that none of the local agencies that received payments for fiscal year 2018 were suspended or debarred. To address the audit recommendations, the Department will: • Update the Local Agency Guidelines Manual to require explicit language regarding suspension and debarment be included in subrecipient contracts. • Update the boilerplate agreement to include a suspension and debarment clause for subrecipients to certify.
		Completion Date:	Estimated July 2019
		Agency Contact:	Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 McKernS@wsdot.wa.gov

Department of Transportation **Agency 405**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	012	Finding:	The Department of Transportation did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster.
		Questioned Costs:	CFDA # / Amount 20.205 / $0 20.224
		Status:	Corrective action in progress
		Corrective Action:	The Department is committed to ensuring grant programs comply with federal regulations. To strengthen internal controls over subrecipient monitoring, the Department will: • Evaluate the current processes at both the regional and headquarters level to identify areas for improvement regarding risk assessments for subrecipients. • Update polices and establish procedures for performing risk assessments to determine the appropriate level of monitoring. • Work with project stakeholders to develop a system for documenting risk assessments of subrecipients.
		Completion Date:	Estimated July 2019
		Agency Contact:	Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 McKernS@wsdot.wa.gov

Department of Transportation **Agency 405**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	013	Finding:	The Washington State Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Highway Planning and Construction Cluster.
		Questioned Costs:	CFDA # / Amount 20.205 / $0 20.224
		Status:	Corrective action in progress
		Corrective Action:	The Department does not concur with the finding. After consulting with the Federal Highway Administration (FHWA) and our additional research, we believe the Department's process complies with the Davis-Bacon Act and federal regulations for contractor payment of prevailing wages. Please consider the email dated February 6, 2019, from FHWA in support of our agency's compliance with the regulations at issue, and as referenced in our technical response to the State Auditor's Office. However, in our efforts to continue to improve, the Department will issue a Construction Bulletin to its construction offices reemphasizing the need to use appropriate tracking tools for monitoring timely collection of certified payrolls from prime and subcontractors. The Department uses Construction Bulletins to communicate best practices and other pertinent guidance to its regional construction offices on an ongoing basis. The Department will consult with FHWA for any further actions needed to resolve this finding. Federal management decisions for Single Audit findings are due within six months of issuing the Single Audit report, expected by March 31, 2019. After consulting with FHWA staff, the Department will await the FHWA management decision by September 2019 for any further action in response to the finding.
		Completion Date:	Not Applicable
		Agency Contact:	Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 McKernS@wsdot.wa.gov

Department of Transportation **Agency 405**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	014	Finding:	The Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Federal Transit Cluster.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 20.500 $0 20.507 20.525 20.526
		Status:	Corrective action in progress
		Corrective Action:	The Department does not concur with the finding. After consulting with both the Federal Transit Administration (FTA) and the Federal Highway Administration and our additional research, we believe the Department's process complies with the Davis-Bacon Act and federal regulations for contractor payment of prevailing wages. However, in our efforts to continue to improve, the Department will issue a Construction Bulletin to its construction offices, reemphasizing the need to use appropriate tracking tools for monitoring timely collection of certified payrolls from prime and subcontractors. The Department uses Construction Bulletins to communicate best practices and other pertinent guidance to its regional construction offices on an ongoing basis, and will share this information with Terminal and Vessel Engineering groups in the Ferries Division. The Department will consult with FTA for any further actions needed to resolve this finding. Federal management decisions for Single Audit findings are due within six months of issuing the Single Audit report, expected by March 31, 2019. The Department will await the FTA management decision by September 2019 for any further action in response to the finding.
		Completion Date:	Not Applicable
		Agency Contact:	Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 McKernS@wsdot.wa.gov

Department of Transportation **Agency 405**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	015	Finding:	The Department of Transportation, State Ferries Division, did not have adequate internal controls over and did not comply with equipment management requirements.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 20.500 $0 20.507 20.525 20.526
		Status:	Corrective action in progress
		Corrective Action:	It is the Department's position that the parts in question identified in the audit are not capital assets and, therefore, the requirements cited in the audit finding do not apply to these parts. The parts in question have no utility to the State until they are installed on a larger assembly or depreciable asset, in this case one of the Department's ferry vessels. Once installed, the parts cease to be discrete items and are part of the vessel. When an installed part meets the definition of a betterment as defined in Chapter 30 of the State Administrative and Accounting Manual, it is capitalized and depreciated as part of the vessel. If the part does not meet the definition of a betterment, it is expensed when purchased. The Department recognizes the importance of safeguarding these parts through their installation on one of our vessels and accounting for them properly. In the ordinary course of business, purchased parts are delivered to the warehouse and almost immediately transferred to the vessel. Occasionally, a vessel's scheduled maintenance will be delayed due to operational needs which necessitates the parts be stored in the warehouse. The Department will follow up with the Office of Financial Management for any recommendations on accounting for the parts in question. We look forward to working with the State Auditor's Office during the next audit to resolve any remaining items reported in this finding.
		Completion Date:	Estimated September 2019
		Agency Contact:	Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 <u>McKernS@wsdot.wa.gov</u>

Department of Ecology Agency 461

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	016	Finding:	The Department of Ecology did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Capitalization Grants for Clean Water State Revolving Funds program received required audits and management decisions on audit findings were issued in a timely manner.
		Questioned Costs:	CFDA # 66.458 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	In response to the audit recommendations, the Department updated agency policy on subrecipient monitoring. A new policy has also been developed to formalize program responsibilities for corrective actions and audit resolution. Additionally, the Department will develop procedures on managing subawards to ensure federal compliance, which includes: • Requiring subrecipients to submit written responses to indicate if they are subject to audit requirement. • Assigning dedicated staff to maintain the tracking spreadsheet used to monitor subrecipient audit activities. • Establishing effective communication to properly notify the program of subrecipient audit findings. • Increasing oversight of subrecipients who are not meeting Department requirements. The Department may apply sanction for continued non-compliance.
		Completion Date:	Estimated April 2019
		Agency Contact:	Janis Henry Senior Financial Advisor PO Box 47615 Olympia, WA 98504-7615 (360) 407-6386 Janis.Henry@ecy.wa.gov

Department of Ecology **Agency 461**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	017	Finding:	The Department of Ecology did not have adequate internal controls over and did not comply with reporting requirements for the Capitalization Grants for Clean Water State Revolving Funds program.
		Questioned Costs:	CFDA # 66.458 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. The finding resulted from conflicting guidance provided by the regional office of the Environmental Protection Agency (EPA) and the guidance the auditor received from EPA's Office of Inspector General. The Department has requested clarification and guidance from the EPA on how to properly report federal equivalency expenditures on the quarterly financial reports and the schedule of expenditures of federal awards. Once definitive guidance is received, the Department will work with the federal grantor to implement appropriate procedures related to the financial reporting of equivalency projects. Additionally, the Department will continue to maintain effective internal controls over reporting, which include: • Enhancing the tracking tool for designated equivalency projects and related expenditures. • Evaluating internal processes to ensure updated procedures comply with federal requirements.
		Completion Date:	Estimated April 2019
		Agency Contact:	Janis Henry Senior Financial Advisor PO Box 47615 Olympia, WA 98504-7615 (360) 407-6386 Janis.Henry@ecy.wa.gov

Department of Services for the Blind

Agency 315

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and
Corrective Action Plan</th></tr>
<tr><td>2018</td><td>018</td><td>Finding:</td><td>The Department of Services for the Blind did not have adequate internal controls over federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable time period.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> 84.126   <u>Amount</u> $0</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Department has addressed prior audit findings and has implemented corrective actions to ensure client eligibility determination is completed timely and adequate supporting documentation is maintained when a delay is necessary. Specifically, the Department:
Implemented the Dashboard in the case management system for Case Managers to manage their caseloads on a real-time basis.
Implemented a process to identify eligibility determinations nearing the 60-day deadline for the upcoming week and to remind counselors of the required components for documenting a delay justification if a determination is not expected to be made within the 60-day timeframe.
Required Counselors to document exceptional and unforeseen circumstances, and support extensions of specific period of time with a client agreement.
Provided training to counselors on the effective use of the Dashboard feature. Area Managers perform weekly monitoring of the use of the tool.
The Department continues to improve internal controls by ongoing coaching and monitoring. As a result, the number of delayed eligibility determinations has been declining. For fiscal year 2018, three percent of eligibility determinations were delayed, compared to the respective 8.3 percent and 12.5 percent in the previous two years. Additionally, a significant number of the past due cases were delayed by only one to three days, which was often found to be caused by errors in calculating due dates.

The Department will:
Continue to provide training to staff about eligibility requirements and accurate calculation of the due dates of eligibility determinations.
Define the criteria for exceptional and unforeseen circumstances and the proper documentation for support.
Strengthen the process of supervisory reviews and documentation.
The conditions noted in this finding were previously reported in findings 2017-007 and 2016-009.</td></tr>
</table>

Department of Services for the Blind **Agency 315**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	018 (cont'd)	Completion Date: Estimated June 2019 Agency Contact: Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	019	Finding:	The Department of Services for the Blind did not have adequate internal controls over reporting requirements for the Vocational Rehabilitation Grant.
		Questioned Costs:	CFDA # 84.126 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	In response to prior year's audit finding, the Department had implemented corrective actions to improve internal controls over the federal reporting process. However, the Department continues to experience staff turnover in the positions that create and review the program cost reports. As of December 2018, the Department hired a consultant to: • Assist with an organizational plan for the fiscal unit. • Strengthen internal controls over the federal reporting process, including a secondary review. The Department anticipates that the organizational plan and hiring of required staff will be completed by June 2019. The conditions noted in this finding were previously reported in findings 2017-010.
		Completion Date:	Estimated June 2019
		Agency Contact:	Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	020	Finding:	The Department of Services for the Blind did not have adequate internal controls over and was not compliant with requirements to ensure cash draws were accurate and timely for the Vocational Rehabilitation program.
		Questioned Costs:	CFDA # 84.126 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	In response to prior year's audit finding, the Department implemented corrective actions to improve internal controls over cash management. However, the Department continues to experience staff turnover in the positions that perform federal draws. As of December 2018, the Department hired a consultant to: • Assist with an organizational plan for the fiscal unit. • Strengthen internal controls over the federal draw process to include a secondary review. The Department anticipates that the organizational plan and hiring of required staff will be completed by June 2019. The conditions noted in this finding were previously reported in findings 2017-008.
		Completion Date:	Estimated June 2019
		Agency Contact:	Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	021	Finding:	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable period of time.
		Questioned Costs:	CFDA # 84.126 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. The Department will establish additional procedural guidance aimed at ensuring full compliance with federal requirements. In addition, the Department will enhance management reports and coaching tools to support supervisory oversight and monitoring of compliance with eligibility timelines and required procedures. By April 2019: • The Fiscal Compliance Manager will conduct a six- month review of eligibility extensions to identify cases that do not conform to policy and documentation requirements. These cases will be sent to the respective supervisors for follow-up. • Rehabilitation Technicians will review cases coming due within 30 days for eligibility determination and alert counselors of upcoming due dates. • Revise the requirements for supervisors' monthly case reviews to include mandatory follow-up activities and ensure reviews are effective and properly documented. • Supervisors will complete an on-line coaching tool monthly with Rehabilitation Technicians, as needed. By June 2019, the Department will: • Provide training to staff on updated procedural guidance that will clearly define "exceptional and unforeseen circumstances." • Revise the eligibility extension letter to include a mandatory field for the extension end date. • Amend eligibility extension procedures to require follow-up with clients when extension letters are not returned. By August 2019, the Department will enhance the case management report to identify eligibility extension dates and determination completion dates. By September 2019, the Department will update the eligibility extension process in the case management system to auto-generate: • Case narratives • Client letters • Completion dates

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	021 (cont'd)		The conditions noted in this finding were previously reported in findings 2017-013 and 2016-012.
		Completion Date:	Estimated September 2019
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	022	**Finding:** The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients. **Questioned Costs:** CFDA # 84.126 — Amount $0 **Status:** Corrective action in progress **Corrective Action:** The Department concurs with the finding. The Department will establish additional procedural guidance aimed at ensuring full compliance with federal requirements. In addition, the Department will enhance management reports and coaching tools to support supervisory oversight and monitoring of compliance with timelines and required procedures. By April 2019: • The Fiscal Compliance Manager will conduct a six-month review of individual plans of employment (IPE) to identify cases that do not conform to policy and documentation requirements. These cases will be sent to the respective supervisors for follow-up. • Supervisors will correct any IPE that do not conform to policy and documentation requirements. • Rehabilitation Technicians will review IPEs coming due within 30 days and alert counselors of upcoming due dates. • Supervisors will complete an on-line coaching tool monthly with Rehabilitation Technicians, as needed. By May 2019, the Department will revise the eligibility determination letter to include an appointment date with the client to begin the IPE process. By June 2019, the Department will amend procedures to require counselors to follow-up with clients when IPE extension letters are not returned, and to ensure both counselor and client properly approve the completed IPE. The conditions noted in this finding were previously reported in findings 2017-012 and 2016-011. **Completion Date:** Estimated June 2019 **Agency Contact:** Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	023	Finding:	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with federal requirements to ensure payments paid on behalf of clients for Vocational Rehabilitation were allowable.
		Questioned Costs:	CFDA # 84.126 — Amount $10,553
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. The Department will establish additional procedural guidance aimed at ensuring full compliance with federal requirements. In addition, the Department will enhance management reports and coaching tools to support supervisory oversight and monitoring of compliance with allowable uses of program funds. By March 2019, the Department will issue a directive requiring case records to be reviewed prior to authorization of services. Staff perform reviews to ensure: • Services are properly documented in the individual plan for employment (IPE). • The IPE has been approved by the counselor and client. • Case actions are appropriately referred to the supervisor if necessary. By May 2019, the Department will: • Update procedures to clarify that payments for any authorized services on an IPE cannot be made until the IPE is properly signed by client. • Create detailed procedures for supervisors to conduct monthly review of payments. By July 2019, the Department will • Enhance the case management system's preventative controls to only allow authorizations of services that are included on the IPEs. If an emergency, non-authorized service is needed, supervisory approval is required to proceed. • Review all service category requirements from the Department of Education and identify process improvements. • Consult with the grantor to determine whether any questioned costs need to be repaid. The conditions noted in this finding were previously reported in findings 2017-014 and 2016-013.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	023 (cont'd)	Completion Date:	Estimated July 2019
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	024	Finding:	The Department of Social and Health Services did not have adequate internal controls to ensure its federal financial reports for the Vocational Rehabilitation grant were accurately prepared.
		Questioned Costs:	CFDA # 84.126 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. As of September 2018, the Department has established written procedures to require secondary reviews of the Federal Financial Report (SF-425). By April 2019, the Department will establish written procedures and require secondary reviews of the Program Cost Report (RSA-2). The Finance and Budget Manager will review completed reports for accuracy. The Department will continue to strengthen internal controls over reporting to ensure program reports are complete and accurate.
		Completion Date:	Estimated April 2019
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services Agency 300

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2018</td><td>025</td><td>Finding:</td><td>The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
93.243 $0
93.959</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>As of July 1, 2018, the Behavioral Health Administration's Division of Behavioral Health and Recovery was transferred from the Department to the Health Care Authority (Authority). The Authority assumed the responsibilities over the Block Grants for Prevention and Treatment of Substance Abuse and Substance Abuse and Mental Health Services Projects of Regional and National Significance.

To address the audit recommendations, the Authority will:
• Evaluate the existing process in monitoring subrecipient audits and identify potential improvements.
• Assess and update policies and procedures related to subrecipient monitoring.
• Strengthen internal controls to ensure:
o Subrecipients submit required audits.
o Subrecipients take timely actions on all deficiencies identified from audits or onsite reviews.
o All audit findings and corrective action plans are tracked and management decisions are issued promptly.

The conditions noted in this finding were previously reported in findings 2017-016, 2016-014, 2015-016, and 2014-019.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>Estimated March 2019</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Keri Kelley
External Audit Compliance Manager
State Health Care Authority
P.O. Box 45502
Olympia, WA 98504-5502
(360) 725-9586
<u>keri.kelley@hca.wa.gov</u></td></tr>
</table>

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	026	Finding:	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers paid with Temporary Assistance for Needy Families funds were allowable.
		Questioned Costs:	CFDA # 93.558 — Amount $2,252
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. The Department of Children, Youth, and Families (DCYF) policy requires providers receiving subsidy payments to maintain attendance records and provide them upon request. However, because attendance records are paper-based, it is not feasible for staff to request, review and reconcile all records before subsidy payments are made. In response to prior findings, the Department has implemented internal controls including: • Third-party reviews through the establishment of the Process Review Panel (PRP) to review and evaluate audit findings, explore options and recommend appropriate corrective actions. • Pre-authorization reviews on high-risk and/or high cost cases based on trend analysis discovered during the PRP. As of December 2018, DCYF requires all licensed providers who accept subsidy payments to use DCYF’s electronic attendance system or an approved third party system to track attendance. DCYF’s system enables accurate, real-time recording of child care attendance, tracks daily attendance, and captures data on child care usage. DCYF will expand the requirement to all families, friends and neighbor providers by November 2019. Beginning July 1, 2019, the Department will transfer responsibility for administering all aspects of client eligibility determination and child care provider payment to DCYF. The Department will continue to conduct post-payment reviews where improper payments appear likely to have occurred, or refer to DCYF for review. If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and take appropriate action. The conditions noted in this finding were previously reported in findings 2017-017 and 2016-019.
		Completion Date:	Estimated November 2019

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	026 (cont'd)	Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	027	Finding:	The Department of Social and Health Services did not have adequate internal controls over maintenance of effort requirements for the Temporary Assistance for Needy Families grant.
		Questioned Costs:	CFDA # 93.558 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. In response to prior years' findings, the Department has taken actions to improve internal controls over the maintenance of effort (MOE) process for the Temporary Assistance for Needy Families (TANF) grant. As of February 2017, the Department developed manuals that outline the collaborative report preparation procedures among the Community Services Division, the Research and Data Analysis Division (RDA) and the Division of Finance and Financial Recovery. Since March 2018, the Department has: • Hosted weekly workgroup meetings to review and update existing policies, procedures and manuals as necessary. The workgroup also focuses on improving the Department's ability to forecast and monitor the level of TANF program's MOE expenditures throughout the year. • Maintained a quarterly monitoring and reporting schedule for all MOE sources throughout the federal fiscal year to ensure MOE reported expenditures are allowable and accurate. • Used Memorandums of Understanding (MOUs) at the beginning of each year to ensure previous year's sources are still viable for the current fiscal year. The MOUs give the Department the opportunity to discuss current program operations, allowable activities and expenditures, and develop a projection of expenditures with the partnering source. During presentation of the MOUs, the Department also reviews partners' methodologies and record management protocols, and offers training and assistance, if needed. Additionally, the Department: • Reviews budget data for upcoming years and conducts a trend analysis with previous years' data to ensure there is no significant fluctuation. • Submits quarterly 196R financial reports, which contain Department's MOE expenditures. • Verifies with partners at the beginning of the federal fiscal year, through written agreements, that each MOE source will have eligible programs and similar expenditure levels as prior reports.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	027 (cont'd)		The Department's RDA Division is also taking actions to improve internal controls for ensuring the TANF quarterly reports are accurate and complete. By September 2019, the Division will: • Track which employees making coding changes. • Require supervisors review coding changes and document these reviews. • Add a section in the TANF MOE manual outlining the roles and responsibilities of employees who make coding changes and for management who review these changes. The conditions noted in this finding were previously reported in findings 2017-019, 2016-017 and 2015-020.
		Completion Date:	Estimated September 2019
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	028	Finding:	The Department of Social and Health Services did not have adequate internal controls in place to ensure quarterly reports for the Temporary Assistance for Needy Families Grant were submitted accurately.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.558 $0
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. The Department currently has the following processes in place to ensure the accuracy and completeness of quarterly reports for the Temporary Assistance for Needy Families Grant (TANF): • Maintains extensive documentation on algorithms for deriving the items in the federal transmission, including specifications on tables and codes in the Automated Client Eligibility System and the Social Service Payment System, and how Statistical Analysis System processes use this data to comply with reporting requirements. • Runs a quality assurance process for each report that identifies potential fatal and warning edits, the results of which are reviewed by the Supervisor. The Department has documented the quarterly reporting processes in detail, and continues to extend and update documentation, written policies and procedures for this complex reporting process. While the Department may benefit from a more formal process, the review of both code and results is extensive and the process includes monthly dissemination of summary data to multiple partners for review and validation. The established process ensures quarterly reports required for meeting participation rates are accurate, complete and submitted timely. The Department believes that the controls for change requests, coding updates and the approval processes are adequate. As of October 2018, the Department began manual monitoring, reviewing, and testing of coding changes to ensure they were applied correctly. While no version control software was used, Department staff maintained copies of all old code versions using filename conventions. By November 2019, the Department will update documentation to reflect automation enhancements to existing data set generation and reporting processes. By January 2020, the Department will • Implement the use of technical assessment forms and security review forms.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	028 (cont'd)		• Conduct peer reviews and document results, testing, logging and approval prior to moving code changes into the production environment. The conditions noted in this finding were previously reported in findings 2017-020 and 2016-016.
		Completion Date:	Estimated January 2020
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	029	Finding:	The Department of Social and Health Services did not have adequate internal controls in place for submitting quarterly and annual reports for the Temporary Assistance for Needy Families grant.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.558 $0
		Status:	Corrective action not taken
		Corrective Action:	The Department does not concur with the finding. In response to prior years' finding, the Department has taken actions to improve internal controls over the reporting process for the Temporary Assistance for Needy Families (TANF) grant. Since March 2018, prior to the end of the audit period, the Department fully implemented the following process changes: • Hosted weekly workgroup meetings to review and update existing policies and procedures as necessary to enhance internal control deficiencies. • Implemented a quarterly monitoring and reporting schedule for all maintenance of effort sources to ensure reported expenditures are allowable, accurate and submitted in a timelier manner. • Used Memorandums of Understanding (MOUs) at the beginning of each year to ensure previous year's sources are still viable for the current fiscal year. The MOUs give the Department the opportunity to discuss current program operations, allowable activities and expenditures, and develop a projection of expenditures with the partnering sources. During presentation of the MOUs, the Department reviews partners' methodologies and records management protocols, and offers training and assistance, if needed. Additionally, the Department: • Reviews all reported expenditures to ensure they are accurate, verifiable, and not used for other federal matching purposes, • Maintains all supporting documentation locally and electronically for the reports submitted to the federal grantor. The Department asserts that current processes and procedures are adequate to ensure expenditures are verifiable and meet federal regulations. The conditions noted in this finding were previously reported in findings 2017-021, 2016-018, and 2015-021.
		Completion Date:	Not applicable

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	029 (cont'd)	Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	030	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Working Connections Child Care program.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.558 $37,959 93.575 93.596
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. The exceptions identified by the auditor results from minor procedural errors or incorrect calculations that did not have an effect on the eligibility determinations. While some of these errors caused payment errors, the clients were eligible. In response to the fiscal years 2016 and 2017 findings, the Department has enacted major changes to improve internal controls over eligibility determination. Many of these changes were implemented during fiscal year 2018, while some were implemented at the beginning of fiscal year 2019. The Department of Children, Youth, and Families (DCYF), formerly the Department of Early Learning, established child care program policies. DCYF policy does not require secondary review or approval when determining eligibility, or authorizing benefits and payments. Beginning July 1, 2019, the Department will transfer responsibility for administering all aspects of client eligibility determination and child care provider payment to DCYF under the Child Care Development Fund. However, the Department has continued to employ the following controls to ensure child care subsidy payment authorizations are made correctly: • Require a supervisory review of payment requests that exceed certain parameters. The supervisor reviews the justifications for the need of additional payment and will deny the payment if the client is not eligible. A monthly report is generated and supervisor checks for any authorization that appears to have been approved without the required secondary review. • For authorizations with high cost special needs rates, a panel consisting of DSHS and DCYF staff review the request and supporting documentation prior to approval. The authorization is subsequently reviewed by a supervisor prior to payment. • Require one hundred percent of new employees' work be audited by a lead worker until they achieve proficiency. These reviews may be conducted before or after authorization. • Requires at least one percent of child care cases be audited monthly.

Fiscal Year	Finding Number	Finding and Corrective Action Plan

2018	030 (cont'd)	• Participate in the Improper Payments Information Act audit required by the Federal Office of Child Care and conducted by the DCYF once every three years.
		
		As of August 2017, the Department has:
		• Implemented enhancements in the Barcode system to automatically generate a sixty-day reminder letter requesting income verification of new employment.
		• Created a 9-code avoidance report that identifies cases that may require supervisory approval. These cases are reviewed and returned to the employee for coaching and corrective action.
		
		As of February 2018, the Department implemented a child care process review panel within the Department's Division of Program Integrity. A child care quality team reviews cases, verifies circumstances and determines whether each sampled case has been correctly determined in accordance with state policy and procedure.
		
		As of March 2018, the Department:
		• Completed enhancements to the Barcode system to automatically flag cases when the household composition for child care is different than information entered in other state systems. Procedures were also updated to require comparison of household composition data reported for childcare against those reported for other programs when determining eligibility.
		• Updated appropriate state rules, procedures and trainings to strengthen:
		    o Household composition rules including a new policy for single parent households.
		    o Mandatory cross-matching with other state systems.
		    o Required documentation for new employment wage verification.
		
		In preparation for the transfer of the child care program to DCYF, the Department has been collaborating with DCYF to update policies and procedures, and develop system enhancements to correct deficiencies and improve internal controls. As of October 2018, the Department has:
		• Updated a combined policy manual which is accessible on the DCYF website to ensure consistent guidance is provided to staff.
		• Established an integrity review process for eligibility determinations that are made by a worker who was not assigned to the case through the automated workload assignment system.
		• Worked with DCYF to ensure family, friends, and neighbors providers receive DCYF's full portable background checks and are approved by DCYF as providers. Upon approval of a background check, DCYF assigns a vendor number, which together with the

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	030 (cont'd)		provider's eligibility information, is communicated to the Department for creating an authorization. As of January 2019, the Department and DCFY developed a policy that provides guidance on viewing documents/information for relative validity, and on the process of prioritizing the best information to obtain first to ensure determinations are supported. By April 2019, the Department will review the fiscal year 2018 audit exceptions, establish and refer the appropriate overpayments to the Office of Financial Recovery for collection. If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with the grantor and take appropriate action. The conditions noted in this finding were previously reported in findings 2017-026, 2016-023, 2015-026, 2014-026, 2013-017 and 12-30.
		Completion Date:	Estimated April 2019
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	031	Finding:	The Department of Social and Health Services improperly charged payroll costs to the Child Support Enforcement Grant.
		Questioned Costs:	<u>CFDA #</u> 93.563 — <u>Amount</u> $29,733
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. The Department does not concur that some timesheets were not processed. The timesheets in question were for employees whose time was spent processing negotiables for another Administration. For this work, the Department bills the other Administration for the work performed and records the revenue as a reduction to expenditures for the grant. The Department also does not concur with the auditor's determination of $29,733 questioned costs on this finding. The Department discovered a calculation error on the questioned costs cited in the fiscal year 2017 finding during the process of closing the prior finding with the cognizant federal agency. This discovery prompted the Department to review the auditors' testing and calculation of questioned costs in the fiscal year 2018 finding. Based on the review, the Department believes that $24,250 of the $29,733 questioned costs were allowable costs. The Department calculated the actual questioned costs to be $5,484. To address the audit recommendations, the Department has initiated actions to improve processes and controls. As of August 2018,the Department: • Created a new journal voucher template with correct formulas to perform calculations and allocate the payroll costs from the grant to other activities associated with work by these employees. • Implemented a supervisory review process prior to processing journal vouchers. • Began the process of separating journal vouchers by funding source to reduce the complexity and volume of journal vouchers. By April 2019, the Department will: • Review current procedures for processing journal vouchers and strengthen controls as necessary to ensure they are all processed. • Correct accounting records to reverse costs that were inappropriately charged to the Child Support Enforcement grant. If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	031 (cont'd)		The conditions noted in this finding were previously reported in finding 2017-023.
		Completion Date:	Estimated April 2019
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Commerce **Agency 103**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	032	Finding:	The Department of Commerce did not have adequate internal controls over and did not comply with requirements to monitor subrecipients of the Low-Income Home Energy Assistance program.
		Questioned Costs:	<u>CFDA #</u> 97.568 — <u>Amount</u> $0
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. The Low-Income Home Energy Assistance program (LIHEAP) contracted with 26 subrecipients. These agencies are required to enter payment data for each client that receives a LIHEAP benefit into a centralized database. The Department uses this information to select transactions for onsite and desk monitoring. The Department will strengthen internal controls over monitoring activities of subrecipients to ensure subawards from LIHEAP are used for authorized purposes. The Department will: • Require subrecipients to submit back up documentation for invoices during the program year. • Increase the threshold for onsite and desk monitoring review from one to three months of fiscal transactions. • Request general ledger and back up documentation for each selected transaction to verify allowability of costs. As of January 2019, the program reviewed and formally updated the program monitoring plan to reflect the new processes of subrecipient monitoring. By June 2019, the program will: • Work with the Department's Energy Division, which also makes subawards of LIHEAP funds, to coordinate and increase efforts around fiscal and administrative monitoring. Program staff will attend trainings hosted by the Energy Division on subrecipient monitoring. • Perform analytical reviews of each subrecipient's spending trends over a five-year period. The analysis will help identify the highest three months of spending, and each subrecipient will be required to submit backup documentation for each expense incurred for those months. By providing staff training, leveraging Department resources to increase monitoring and utilizing a data-driven approach to identify high-risk transactions, the Department will enhance the detection of unallowable or unsupported costs at the subrecipient level.

Department of Commerce **Agency 103**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	032 (cont'd)	Completion Date: Estimated June 2019 Agency Contact: Shanna-Mae Cullen-Oden Internal Audit Manager PO BOX 42525 Olympia, WA 98504 (360) 725-4030 Shanna-mae.cullen-oden@commerce.wa.gov

Department of Children, Youth, and Families — Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	033	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls to ensure payroll charges to the Child Care and Development Fund program were allowable and properly supported.
		Questioned Costs:	<u>CFDA #</u> / <u>Amount</u> 93.575 / $9,544,526 93.596
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. During the six-month period in which the auditor found semi-annual certifications were not completed, the Department's immediate priority was to transition from the former Department of Early Learning (DEL) by the June 2018 deadline. Due to insufficient available resources, responsible staff were not able to complete the semi-annual certifications timely as required by Department policy. The Department concurs with the exceptions identified by the auditor that semi-annual certifications or timesheets were not completed for five employees to allocate their time as required. As of March 2018, the Department made retroactive adjustments to the payroll coding of affected employees to appropriately charge multiple cost activities. The employees were also reminded of the need to complete monthly timesheets as required by federal regulations. As of September 2018, the Department completed the semi-annual certifications for the second half of fiscal year 2018 for DEL and provided the information to the auditor as part of the program audit. While the Department concurs that semi-annual certifications, documentation, or timesheets were not completed as described in the finding, the cause of the issue was an isolated, exceptional circumstance that no longer presents an internal control issue going forward. The Department will: • Implement preventative internal controls over allowable retroactive adjustments to ensure payroll charges are properly documented. • Continue to review position action requests and monthly payroll reports to ensure employees who charge to multiple cost activities complete timesheets as required. If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.
		Completion Date:	Estimated June 2019

Department of Children, Youth, and Families **Agency 307**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	033 (cont'd)	Agency Contact:	Stefanie Niemela Audit Liaison P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families — Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	034	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.575 $5,894 93.596
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. The auditor found eight providers had not paid the correct rates based on their region. After further review, the Department confirmed the rates were correctly determined. As specified in state regulations, centers in four counties are assigned rates for a region not based on their geographic location in order to account for market differences in these counties. However, due to timing of the audit, the auditor was unable to reverse these exceptions. In response to prior audit findings, the Department had: • Modified the Child Care and Development Fund Plan to align with federal and state regulations for fiscal years 2019 to 2021. • Improved internal controls and implemented preventative controls to assist in the detection of improper provider billings and reduce the risks of unallowable payments. • Implemented policies to include the Department's definition of fraud, as well as the consequences for providers. • Initiated a risk-based approach to audit providers' billings and payments that includes selecting providers' billings in excess of licensed capacity and billings to the limit of the provider's authorizations. The Department will continue to refine this approach. • Collaborated across agencies and divisions, through the Working Connection Child Care Reframe Workgroup and the Child Care Audit Committee, to align and clarify state rules and requirements with those of the Child Care and Development Block Grant Act. The Department has also taken the following actions: • As of October 2018, implemented new rules requiring new family, friends and neighbors (FFN) providers to receive a full portable background check (PBC) when applying to be providers. Upon approval, the Department assigns a vendor number which, together with the provider's eligibility information, is communicated to the Department of Social and Health Services to create an authorization. This separation of duties strengthens internal controls and helps to reduce payment errors. By September 2019, the Department expects

Department of Children, Youth, and Families — Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	034 (cont'd)	all existing FFN providers to complete the transition to the PBC process. • As of November 2018, implemented a process that allows subsidy auditors to provide technical assistance to providers who have been using incorrect billing practices. After the Department implements new program violation rules in July 2019, providers with repeat violations will be excluded from receiving child care subsidy payment. • As of December 2018, required all licensed providers who accept subsidy to use the Department's electronic attendance system or an approved third party system to track attendance. In addition, new FFN providers are required to use the Department's new electronic system within 90 days after being authorized to receive subsidy payment. The Department's system: o Enables accurate, real-time recording of child care attendance, tracking of daily attendance, and capturing data on child care usage. o Has the ability to support third party electronic attendance systems. The Department continues to add links to more third party systems and improve reporting capabilities. o Is capable of generating reports that allow the Department to conduct automated audits beginning in April 2019. By November 2019, all FFN providers will be required to use the system, or an approved third party system for tracking attendance. In addition, the Department will: • Continue to improve the billing guides to help providers understand billing rules, authorization and the billing process. The billing guides will be available in April 2019. Prior to the expiration of the 2019-2021 tentative agreement with the Service Employees International Union, the Department will update training curriculum. After the tentative agreement expires in 2021, training will become mandatory for all licensed homes and FFN providers. • Continue to research options for simplifying authorization and billing rules. • Develop rules defining provider program violations and establishing additional consequences for intentional violations. The Department consults with the U.S. Department of Health and Human Services on audit findings. The audit resolution process includes conducting a case-by-case review and providing additional documentation as requested by the federal grantor when questioned costs are identified. The conditions noted in this finding were previously reported in finding 2017-024, 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12, and 8-13.

Department of Children, Youth, and Families **Agency 307**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	034 (cont'd)	Completion Date: Estimated June 2021 Agency Contact: Stefanie Niemela Audit Liaison P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families — Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	035	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.
		Questioned Costs:	CFDA # 93.575, 93.596 — Amount $1,678
		Status:	Corrective action in progress

		Corrective Action:	The Department concurs with the finding.
			
			In response to prior audit findings, the Department has:
			• Implemented new monitoring and compliance agreement policies and procedures to clarify:
			  o Mandatory use of a full checklist every three years.
			  o When a site visit is needed.
			  o Acceptable methods of verifying compliance and the timelines for documentation.
			• Implemented a new electronic caseload management system, WA COMPASS, and provided training to licensing staff in using the system to manage licensing inspections and monitor visits. The system provides electronic reminders to licensing staff and supervisors, which has improved data integrity and streamlined staff work processes.
			• Provided training to all child care licensing staff regarding the new policies and procedures, including the 10-day health and safety recheck requirements and timely documentation of follow-up visits. Currently, supervisors are able to run a report to identify over-due cases and address concerns with licensing staff.
			
			As of January 2019, the Department has also clarified and implemented a policy revision to allow for "termination without notice" of a provider when an unsafe environment exists or when the provider becomes ineligible. The Department of Social and Health Services (DSHS) has already provided updated training to its staff on the revised Department policies. The Department is working on updating the Washington Administrative Code (WAC) language to be consistent with the policy revision.
			
			As of October 2018, the Department implemented new rules requiring new family, friends and neighbors (FFN) providers to receive a full portable background check (PBC) when applying to be a provider. Upon approval, the Department assigns a vendor number which, together with the provider's eligibility information, is communicated to DSHS to create an authorization.
			
			By September 2019, the Department expects all existing FFN providers to complete the transition to the PBC process.

Department of Children, Youth, and Families **Agency 307**

Fiscal Year	Finding Number		Finding and Corrective Action Plan

2018	035 (cont'd)		The Department will:
			• Continue to work on enhancements to the electronic caseload system for tracking and monitoring the due dates of health and safety rechecks.
			• Continue to prepare for the implementation of the new WAC on Family Home and Child Care Center in response to the demands of the legislature and the needs of the provider community. The new WAC is expected to become effective in August 2019. In preparation, the Department will:
			  o Ensure all child care licensing staff are completing mandatory training on the updated WAC components and resulting policy, procedure, and task changes.
			  o Develop new checklists to enable more focused monitoring.
			  o Develop an inspection report that can clearly delineate the high-risk areas that would require follow-up visits.
			  o Continue to revise licensing policies, procedures and tasks as needed to align with current state and federal rules and regulations.
			
			The Department consults with the U.S. Department of Health and Human Services on audit findings. The audit resolution process includes conducting a case-by-case review and providing additional documentation as requested by the federal grantor when questioned costs are identified.
			
			The conditions noted in this finding were previously reported in finding 2017-025, 2016-022, and 2015-024.

		Completion Date:	Estimated October 2020
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Social and Health Services **Agency 300**

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2018</td><td>036</td><td>Finding:</td><td>The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to detect fraud in the Child Care and Development Fund program.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
93.575 $0
93.596</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action complete</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Department concurs with the audit finding.

In response to prior audit recommendations, the Department took steps to include child care dollars as a risk factor in determining the priority of fraud referral investigations.

In December 2017, the Department convened a workgroup to modify the Fraud Early Detection program (FRED) algorithm to address child care cases while not adversely affecting other medical programs that also use the FRED algorithm.

In February 2018, the Office of Fraud and Accountability’s (OFA) Senior Director issued a directive to managers that all cases rated as 1 or 2 should be assigned for investigations within 90 days after referral.

As of April 2018, an algorithm was implemented in the Barcode system to include child care benefit payments and household composition. This enhancement increases the assigned point values in child care cases, resulting in a higher priority level for investigation.

The Department will continue to:
Maintain a goal of completing as many of the fraud cases with highest risk as staffing and workload allows.
Monitor the monthly status of all FRED cases by OFA managers to ensure high priority cases are assigned timely.
Review monthly performance measurement reports.
The conditions noted in this finding were previously reported in findings 2017-027, 2016-020 and 2015-025.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>April 2018</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Rick Meyer
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</table>

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	037	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure it separately identified and reported demonstration project costs.
		Questioned Costs:	CFDA # 93.658 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. The Department will revise its reporting process to separately identify and report project costs for both the Title IV-E Foster Care program and demonstration project. As of July 1, 2018, the Legislature created a new state agency that combined the Department's Children's Administration and the Department of Early Learning. The new agency is called the Department of Children, Youth and Families (DCYF) and is now responsible for managing the Foster Care program. DCYF has already assigned specific system coding in FamLink, the system used to track costs for service payments and contracts. The new codes will track payments made for the demonstration project, which is scheduled to conclude in September 2019. The Department will work with the grantor if revisions to prior reports are determined to be necessary.
		Completion Date:	Estimated October 2019
		Agency Contact:	Stefanie Niemela Audit Liaison Department of Children, Youth and Families P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	038	Finding:	The Department of Social and Health Services improperly charged $798,930 to the federal foster care grant.
		Questioned Costs:	CFDA # 93.658 — Amount $798,930
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the audit finding. The auditors determined that $797,740 of federal expenditures were not supported because this amount could not be reconciled between the Department's provider payment system (SSPS) and the State's accounting system (AFRS). While SSPS does interface with AFRS, it is not the only payment mechanism utilized when paying for eligible foster care services. As such, there will always be a difference in the total expenditures between the two systems. In response to the audit findings, the Department has: • Communicated with accounting field staff to emphasize the requirement of reviewing proper documentation when making invoice payments to vendors. • Informed providers of the requirement of providing adequate supporting documentation to align with the Department's internal procedure. In addition, the Department will continue to: • Strengthen the review process to ensure services are authorized prior to making payments. • Provide training to accounting field staff to reinforce their understanding of the invoice payment process. The Department will consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid. As of July 1, 2018, the Legislature created a new state agency that combined the Department's Children's Administration and the Department of Early Learning. The new agency is called the Department of Children, Youth, and Families and is now responsible for managing the Foster Care program. The conditions noted in this finding were previously reported in finding 2017-028.
		Completion Date:	Estimated July 2019
		Agency Contact:	Stefanie Niemela Audit Liaison Department of Children, Youth, and Families P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	039	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal level of effort requirements for the Adoption Assistance program.
		Questioned Costs:	CFDA # 93.659 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. In response to prior audit findings, the Children's Administration of the Department had improved internal controls and developed written policies and procedures to ensure the federal level of effort requirements are met for the Adoption Assistance program. As of July 1, 2018, the Legislature created the Department of Children, Youth, and Families (DCYF) by combining the Children's Administration and the Department of Early Learning. The new agency assumed the responsibilities of managing the Adoption Assistance program. To address the audit recommendations, DCYF will implement appropriate corrective actions, which will include: • Establishing written procedures for staff to identify and accurately report adoption savings expenditures. • Reviewing quarterly reports to ensure reported expenditures are accurate and supported by adequate documentation. • Providing training to staff on the policies and procedures. The conditions noted in this finding were previously reported in findings 2017-030 and 2016-026.
		Completion Date:	September 2019
		Agency Contact:	Stefanie Niemela Audit Liaison Department of Children, Youth, and Families P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Health **Agency 303**

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and
Corrective Action Plan</th></tr>
<tr><td>2018</td><td>040</td><td>Finding:</td><td>The Department of Health did not have adequate internal controls to ensure it complied with survey requirements for Medicaid hospitals and home health agencies.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
93.775 $0
93.777
93.778</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>To ensure the Department complies with survey requirements, the Department will strengthen internal controls to ensure Statements of Deficiencies are sent to facilities within the 10-day required timeframe. This includes:
• Adding a field to the Integrated Licensing Reporting System to track the due dates of Statements of Deficiencies.
• Generating a report for management to monitor and notify staff on Statements of Deficiencies that are coming due.
• Sending written notification to the Centers for Medicare and Medicaid Services when a Statement of Deficiency is expected to be submitted late.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>Estimated September 2019</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Brandy Brush
Acting External Audit Manager
PO Box 47890
Olympia, WA 98504-7890
(360) 236-4547
<u>brandy.brush@doh.wa.gov</u></td></tr>
</table>

State Health Care Authority — Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	041	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with a state law requirement to perform semi-annual data sharing with health insurers.
		Questioned Costs:	CFDA # 97.775, 93.777, 93.778 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	This finding is based on a specific data exchange method which most insurance carriers have chosen not to participate in and which the Authority has no legal authority to enforce. The auditor recommended the Authority seek and obtain the legal authority through legislation. While it is not within the Authority's scope of responsibilities to regulate insurance companies, several other methods of data sharing are regularly employed to achieve the goal of identifying third party liability. The Authority has requested legislation that modifies the specific method and timing of data exchange with insurance carriers. In June 2018, the auditor submitted this finding to the appropriate committees of the legislature in accordance with the requirements of the amended RCW 43.09.312 when the auditor determines that the audited agency has not made substantial progress in remediating its noncompliance. The Authority anticipates the finding will be resolved through the legislation request and/or the decision of the legislative committees regarding resolution. The conditions noted in this finding were previously reported in findings 2017-031, 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19, and 08-25.
		Completion Date:	Estimated June 2019
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	042	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure certain Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.
		Questioned Costs:	CFDA # / Amount 97.775 / $0 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Authority is aware of the current situation with provider revalidation and is closely monitoring with routine reports. The Authority has prioritized revalidation work, and is making progress towards revalidation compliance. Currently, the Authority is working on a long-term solution by developing an automated process that will conduct all necessary data matches. The new process is expected to significantly reduce the amount of manual effort required and ensure provider revalidation is performed timely. Until the new automated process is fully implemented, the Department conducts other activities to mitigate the risk of paying ineligible providers. The Authority also noted that federal regulations require providers to be re-categorized as high risk under very specific, limited circumstances. The Authority determined that there were approximately two dozen providers, out of 98,000, that met the specific criteria and required to be re-categorized as high risk. The Authority has implemented internal processes for divisions to notify the provider enrollment unit of any events related to provider overpayments, payment suspensions or new sanctions, which would trigger the need to adjust a provider's risk level to high. As of December 2018, the Authority: • Completed the process of re-categorizing current high-risk providers. • Updated procedures to include the new process of adjusting risk level when a qualifying event occurs. By March 2019, the Department will send notification of the revalidation requirement to all providers who enrolled with the Authority prior to March 31, 2014. By July 2019, the Authority will implement the new fingerprint requirement and will conduct fingerprint-based criminal background checks on the high risk providers identified under the re-categorization process. The conditions noted in this finding were previously reported in finding 2017-033.

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	042 (cont'd)	Completion Date:	Estimated July 2019
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov

State Health Care Authority **Agency 107**

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2018</td><td>043</td><td>Finding:</td><td>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Service Verifications were performed for eligible nursing home claims.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
97.775 $0
93.777
93.778</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action complete</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>To address the audit recommendation, the Department has taken the following actions:
• As of May 2017, Medical Service Verifications (MSVs) were expanded in ProviderOne to include social service claims.
• As of November 2017, a Service Level Agreement was signed with the Department of Social and Health Services (DSHS). The agreement detailed the roles and responsibilities of the Authority and DSHS for processing and investigating leads from MSVs.

The Authority does not agree that the exclusion of nursing homes in the survey population is an indication of control deficiency. The Authority strategically excluded nursing homes in order to conduct targeted, risk-based verifications with high return rates. From a compliance standpoint, the Authority believes federal regulations allow flexibility for grantees to adopt a more effective approach.

The Authority will continue to consult with the federal grantor to obtain clarification. As of March 2018, nursing homes are included in the universe of ProviderOne claims until definitive federal guidance is obtained.

The conditions noted in this finding were previously reported in findings 2017-034, 2016-029, 2015-032, 2014-039, 13-031, 12-54, and 11-39.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>March 2018</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Keri Kelley
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<u>keri.kelley@hca.wa.gov</u></td></tr>
</table>

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	044	Finding:	The Health Care Authority did not have adequate internal controls to ensure its federal draws for the Medicaid Transformation Demonstration project were adequately supported.
		Questioned Costs:	CFDA # / Amount 97.775 — $0 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Authority is aware of the staffing turnover in the Medicaid Transformation Demonstration (MTD) Project and is in the process of filling vacant positions. Additionally, the Authority will develop policies and procedures describing the roles and responsibilities of staff within the project. The Authority is working on improving internal controls to ensure its federal draws for the MTD project are allowable and adequately supported. By June 2019, the Authority will contract with an independent external auditor to review the Designated State Health Programs (DSHP) expenditure reporting for calendar years 2017 and 2018, and to validate the accuracy of federal claims. The Authority is also working on documenting defined administrative costs for DSHP. Once established, the Authority will be able to provide guidance to DSHP entities to ensure defined administrative costs are excluded from certified public expenditure reports. DSHP entities include state agencies, cities and county governments that use different financial payment systems to generate expenditure reports. Therefore, the Authority finds it challenging to require DSHP entities to provide supporting documentation in a consistent manner. The Authority will work with DSHP entities to ensure adequate and consistent supporting documentation is provided on certified public expenditure reports. The Authority will consult with the U.S. Department of Health and Human Services regarding establishing a process for program integrity as appropriate.
		Completion Date:	Estimated November 2019
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	045	Finding:	The Health Care Authority claimed Medicaid federal funds for Medicaid expenditures that exceeded the two-year time limit.
		Questioned Costs:	CFDA # / Amount 97.775 / $2,095,931 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	For the expenditures identified in this audit as outside the two-year claim period, the Authority will research to determine if they were in fact unallowable. When the Center for Medicaid and Medicare (CMS) sends award closeout data and initiates the closeout process, the Authority will make any needed adjustments and return the federal funds to CMS. The Authority will continue to explore options to ensure refunds will be processed more timely to return claimed federal funds that are outside the allowable period.
		Completion Date:	Estimated July 2019
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov

State Health Care Authority **Agency 107**

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2018</td><td>046</td><td>Finding:</td><td>The Health Care Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
97.775 $0
93.777
93.778</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Authority currently has the follow processes in place to verify that providers have not been suspended or debarred:
• Conducts List of Excluded Individuals/Entities (LEIE) and Excluded Parties List System/System for Award Management (EPLS/SAM) database checks during new provider enrollment and provider re-validation.
• Conducts monthly LEIE database checks on Medicaid providers.
• Managed Care Organizations conduct LEIE and EPLS/SAM database checks on network providers under the Authority’s Apple Health contract.

The Authority is not currently conducting monthly checks with EPLS/SAM. The system only has the ability to search a single individual and there is a price associated with uploading more than one individual provider at a time. Due to the volume of providers and the resources it requires, it is not feasible for the Authority to conduct monthly EPLS/SAM checks on providers.

Last year, the Authority was approved as a pilot state to utilize the U.S. Department of Treasury’s Do Not Pay database system, which will allow the Authority to upload the volume of providers into EPLS/SAM and conduct the required checks on a monthly basis. However, this process has since stalled on the federal side.

The Authority is exploring other opportunities to meet compliance. Although the Authority is not currently conducting EPLS/SAM database checks at the frequency required, there were no improper payments identified.

The conditions noted in this finding were previously reported in findings 2017-037.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>Estimated July 2019</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Keri Kelley
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<u>keri.kelley@hca.wa.gov</u></td></tr>
</table>

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	047	Finding:	The Health Care Authority, Section of Program Integrity, Data Analytics and Review Unit, did not establish adequate internal controls over and did not comply with requirements to identify and refer suspected fraud cases for investigation.
		Questioned Costs:	CFDA # 97.775, 93.777, 93.778 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	To address the auditor's recommendations, the Authority will take actions to improve internal controls over monitoring provider case reviews to ensure suspected fraud cases are appropriately referred for investigation. The Authority will review current policies and procedures and update as necessary to include: • Conducting secondary reviews of audits and findings to ensure they are accurate and supported. • Maintaining sufficient documentation to support case decisions. • Providing necessary and adequate training to staff to ensure all requirements to identify and investigate suspected fraud cases are met.
		Completion Date:	Estimated October 2019
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov

State Health Care Authority — Agency 107

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2018</td><td>048</td><td>Finding:</td><td>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid expenditures were allowable to claim Children’s Health Insurance Program funds.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> / <u>Amount</u>
97.775 / $4,145
93.777
93.778</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action not taken</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Authority does not concur with the cause of condition of the finding.

The auditors determined that the Authority does not conduct a post-eligibility review for coverage under the Children’s Health Insurance Program (CHIP) when a household’s income is below 133 percent of the federal poverty level. There is no such requirement in our federally approved verification plan, and the Authority does not agree that a material weakness in internal control exists.

The condition that led to the $3,293 in unallowable claims for additional CHIP funds was corrected in July 2017. The remaining $852 in questioned costs represent claims that were not only eligible for additional CHIP funds, but also allowable at a higher rate than the Authority claimed.

The Authority will consult with the grantor regarding the resolution of the questioned costs.

The conditions noted in this finding were previously reported in findings 2017-038, 2016-034, 2015-039, and 2014-037.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>Not applicable</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Keri Kelley
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<u>keri.kelley@hca.wa.gov</u></td></tr>
</table>

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	049	Finding:	The Health Care Authority made improper payments for Medicaid managed care recipients with Medicare insurance coverage.
		Questioned Costs:	CFDA # / Amount 97.775 / $3,762,678 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Authority has implemented the following corrective actions: • As of March 2016, developed an algorithm to identify Per Member Per Month (PMPM) premium payments for clients enrolled in Medicare. • As of June 2018, went live with the enhancements to the ProviderOne system to automate recoupment of PMPM premiums for clients who are retro-enrolled in Medicare. • Ran the new algorithm for the period from the last algorithm run in November 2017 to the system enhancement in June 2018, and identified all PMPM premium duplicate payments. The Authority has been working on recouping the duplicate payments, and will follow its normal finding resolution process with the U.S. Department of Health and Human Services regarding the resolution of questioned costs. The conditions noted in this finding were previously reported in findings 2017-039.
		Completion Date:	Estimated May 2019
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	050	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $325,468 93.777 93.778
		Status:	Corrective action in progress

		Corrective Action:	The Department partially concurs with the finding.
			
			As stated in the background of this finding, the auditor could not determine in the fiscal year 2017 audit whether the duplicate expenditures identified were caused by billing errors of the individual providers, or the hospital or long-term care facility. For this reason, the auditor did not issue a finding.
			
			For the fiscal year 2018 audit, the auditor used the same audit methodology and issued a finding. However, the auditor failed to provide a rationale as to how they were able to determine the source of the billing errors or why those errors were attributed to the Department. It is not known whether the payments were incorrectly claimed by the individual provider, or the hospital or nursing facility.
			
			The Department had developed a process to research and remediate payments made to in-home providers while a client was either hospitalized or admitted to a long-term care facility:
			• As of November 2018 , the Department:
			  o Created a report to identify payments made to all provider types for in-home personal care and mileage services while the client was in the hospital or in a long-term care facility.
			  o Hired an employee to perform payment analysis and coordinate remediation with field contacts.
			• As of January 2019, the Department began reviewing, processing and tracking the duplicate payments that were identified.
			
			By June 2019, the overpayment functionality in the Department's Individual ProviderOne system is expected to be fully implemented.
			
			By July 2019, the Department will work with the Health Care Authority to analyze the duplicate payments found and identify the ones that the Department is responsible for.
			
			By November 2019, the Department will begin the process of issuing overpayments to the providers for any unallowable payments.

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	050 (cont'd)		By January 2020, the Department will consult with the Department of Health and Human Services to discuss any remaining questioned costs. The conditions noted in this finding were previously reported in finding 2016-048.
		Completion Date:	Estimated January 2020
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	051	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $34,510 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. The Department has enhanced monitoring procedures for identifying unallowable payments. A process had been developed to research and remediate payments made to in-home providers while a client was either hospitalized or admitted to a long-term care facility. As of November 2018, the Department: • Created a report to identify payments made to all provider types for in-home personal care and mileage services while the client was in the hospital or in a long-term care facility. • Required management staff to distribute the monthly report to field payment specialists for follow-up on the issues identified. By June 2019, the overpayment functionality in Individual ProviderOne system is expected to be fully implemented. By July 2019, the Department will work with the Health Care Authority to analyze the duplicate payments found and identify the ones that the Department is responsible for. By November 2019, the Department will begin the process of issuing overpayments to the providers for any unallowable payments. The Department will work with the federal grantor to determine if any questioned costs identified in the audit and associated costs need to be repaid.
		Completion Date:	Estimated November 2019
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	052	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls and did not comply with survey requirements for Medicaid intermediate care facilities.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $0 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. The Department utilizes a survey-tracking tool to monitor survey due dates and completion, and has established internal controls to ensure survey requirements for Medicaid intermediate care facilities are met. The one recertification that was performed past its due date in April 2018 was not an indication of internal control deficiency, but rather a result of resource prioritization. The facility was non-compliant with a condition of participation from a prior recertification survey, and was imposed with a “Denial of Payment” penalty for new admissions. After receiving the facility’s credible allegation of compliance letter in January 2018, the Department conducted two re-survey visits and subsequently placed the facility back in compliance in March 2018. The facility’s recertification was performed in May 2018 due to the Department’s executive decision to prioritize a recertification survey of another facility that had been out of substantial compliance and placed clients’ safety and welfare at risk. The Department will continue to ensure survey requirements are met. By April 2019, the Department will request assistance from: • Certified surveyors of other units within Residential Care Services as needed. • The federal grantor’s contracted certified surveyors, if available, to meet compliance with survey intervals. The conditions noted in this finding were previously reported in finding 2017-042, 2016-037, 2015-045, and 2014-046.
		Completion Date:	Estimated April 2019
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov

Department of Social and Health Services Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	053	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure it complied with survey requirements for Medicaid nursing home facilities.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $0 93.777 93.778
		Status:	Corrective action complete
		Corrective Action:	The Department does not concur with the finding. In response to prior audit findings, the Department had implemented the Electronic Plan of Correction (ePOC), an electronic application that enables the Department to monitor compliance more effectively. The Department asserts that internal controls have been strengthened to ensure Statements of Deficiencies (SOD) are mailed by the tenth working day after survey exits, as evidenced by the steady decrease in audit exceptions since fiscal year 2016. The auditors reported two cases where the Department did not deliver SOD within ten working days as required. One case was due to the failure of the ePOC system on the provider end, resulting in the Department manually delivering the SOD to the provider on the eleventh day. The Department subsequently confirmed that the technical problem had been resolved for the provider in question. In the second case, an administrative review of the SOD caused a slight delay and resulted in the Department delivering the SOD to the provider on the eleventh day. In both cases, the SOD were delivered less than 24 hours beyond the federal requirement. The providers submitted their plans of correction timely with no impact from the one-day delay. System failures are beyond the control of the Department, and administrative reviews are essential to ensure SOD are complete and accurate. These should be considered acceptable reasons for providers not receiving their SOD within the required ten days. The Department will continue to use existing internal controls and quality assurance reviews to monitor the timeliness of SOD distribution to providers. The conditions noted in this finding were previously reported in finding 2017-043, 2016-036, 2015-044 and 2014-046.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	053 (cont'd)	Completion Date:	February 2019
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	054	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to home care agencies were allowable.
		Questioned Costs:	CFDA # 93.775, 93.777, 93.778 — Amount $8,315
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. The Department concurs that there were 25 instances when a daily payment was not supported by an electronic timekeeping record. These payments were made to a home care agency that subsequently closed and did not respond to the request for documentation. However, the Department does not concur that payments with no attached task sheets or missing signatures on task sheets should be included in questioned costs. Task sheets are used to document what tasks were completed during the provider's shift, as required by the home care agency contract. They are not a federal or state requirement. By April 2019, the Department will: • Modify the tool provided to the Area Agencies on Aging (AAA) for monitoring home care agency's compliance with electronic timekeeping contractual requirements. • Work with AAA's contract management staff to request corrective action plans from home care agencies that are noncompliant with contractual requirements. By September 2019, the Department will: • Determine if an overpayment will be issued to the home care agency that did not respond to the request for electronic time keeping records to support the payment. • Determine if state funds will be used to reimburse federal questioned costs. By December 2019, the Department will work with the federal grantor to determine if the questioned costs related to exceptions with task sheets need to be repaid.
		Completion Date:	Estimated December 2019

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	054 (cont'd)	Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov

Department of Social and Health Services — Agency 300

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2018</td><td>055</td><td>Finding:</td><td>The Department of Social and Health Services did not ensure the federal portion of uncashed Medicaid checks was returned to its grantor.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
93.775 $237,078
93.777
93.778</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Department concurs with the finding.

The Department is implementing a process for the vendor to return uncashed checks to the Department. By May 2019, the Department and the vendor will:
• Complete the development of an interface to identify uncashed checks older than 180 days.
• Develop a report listing the uncashed checks that need to be returned to the Department.
• Request the vendor to return uncashed checks that were issued from April 2016 through December 31, 2017. Thereafter, the vendor is required to submit a monthly report with any uncashed checks.

By December 2019, the Department will return the federal share of all uncashed checks to the Center for Medicaid and Medicare Services.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>Estimated December 2019</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Rick Meyer
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</table>

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	056	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure all Medicaid Community First Choice individual providers had proper background checks.
		Questioned Costs:	CFDA # / Amount 93.775 $25,288 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. The Department asserts that adequate internal controls are in place to ensure all Medicaid individual providers had proper background checks. Centers for Medicare & Medicaid Services require a minimum of 86 percent proficiency statewide related to compliance with individual provider background checks. The Department has monitored this requirement for many years and has consistently achieved over 90 percent proficiency statewide. The audit identified: • Five instances when fingerprint background check were not performed on Community First Choice (CFC) individual providers within the required timeframe. In all cases, the Department subsequently completed fingerprint background checks and found no disqualifying crimes. • One instance where a background check was not renewed after two years. Although this requirement is included in the Department policy, the State Plan does not require individual providers to complete background checks every two years to remain qualified. The State Plan only requires a state background check prior to contracting, and a federal background check, when required, within 120 days of being hired. The Department agrees that two of the three Area Agency on Aging (AAA) proficiency improvement plans did not address how the AAA would correct a background check deficiency. To address the audit recommendations, the Department will continue to follow established internal controls to materially ensure CFC individual providers have timely background checks. By June 2019, the Department will revise its internal process for approving proficiency improvement plans to ensure accuracy and completeness.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	056 (cont'd)	By August 2019, the Department will: • Identify associated costs related to unallowable payments for personal care services. • Work with the U.S. Department of Health and Human Services to return questioned costs. The conditions noted in this finding were previously reported in finding 2017-049, 2016-040, 2015-040, 2014-049, 2013-40, 12-41, and 11-34. Completion Date: Estimated August 2019 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	057	Finding:	The Department of Social and Health Services, Aging and Long-Term Support and Developmental Disabilities Administrations, did not have adequate internal controls over and did not comply with requirements to ensure some Medicaid providers were properly revalidated or screened, and fingerprint-based criminal background check requirements were met.
		Questioned Costs:	<u>CFDA #</u> 93.775, 93.777, 93.778 — <u>Amount</u> $0
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. As of November 2017, the Department developed a process to screen and track each nursing facility contract to ensure validation and revalidation occurred within the five-year requirement. As of September 2018, the Department completed screening of all nursing facilities. As of October 2018, the Department implemented an automated process to screen providers in the Agency Contracts Database (ACD). The new process includes a built-in system edit in the ACD that prevents a new or renewal of Medicaid contract to be approved or signed unless the screening process has been successfully completed in ACD. The Department will continue to: • Verify and document proof of identity and authorization to work in the U.S. from individual providers before revalidating providers' contracts. • Perform quality assurance monitoring and remediation activities to ensure compliance with contracting requirements. By September 2019, the Department will complete a workload impact assessment and cost analysis for: • Monitoring provider risk levels for risk level reassignment due to overpayments or Medicaid fraud referral. • Implementing a process to conduct fingerprint-based criminal background checks for high-risk providers to meet additional fingerprint requirements. Once workload impact and cost analysis is complete, the Department will determine the best course of action to comply with screening and fingerprint requirements.
		Completion Date:	Estimated September 2019

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	057 (cont'd)	Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	058	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and was not compliant with requirements to ensure Medicaid payments to supported living providers were allowable.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $1,985,968 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. State law provides the Department the authority to authorize payments for individuals in community residential programs. The system is designed to allow supported living (SL) providers the resource flexibility needed throughout the year to meet the changing needs of the individual clients. The Department requires that clients receive all authorized Instruction and Support Services (ISS) hours over the course of the year. Providers are expected to provide hours in a flexible way within the year in order to address clients' individualized needs. SL providers are required to complete and certify annual cost reports, which reconcile hours and ISS dollars authorized to hours and ISS dollars provided. After reviewing cost reports, the Department establishes settlements when providers were paid for more direct service hours than they provided in a calendar year or when providers received more reimbursement (in dollars) for direct support costs compared with what was actually incurred during the year. <u>Cost Reports and Timesheets</u> The cost reports are not used to provide information to establish rates or allocate appropriate funds. Rather, rates are established through a rate setting process which includes a method to adjust for the sharing of service hours within households or clusters, and for needed supports that occur on an infrequent basis. All of these items are factored into calculating a daily rate for the individual client. The direct hours reported in the cost reports does not take into consideration the annual needs for support services, such as medical appointments and periodic essential shopping, The daily rates established through the rate setting process encompass these support hours. As such, looking at a snapshot of hours does not accurately reflect the cost of care provided and does not take into consideration that the rate assessment is based on a client's daily, weekly and annual needs for support services. Support services are evaluated and spread out over the entire year. The algorithm encompasses and factors in these support hours to determine the

Department of Social and Health Services Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	058 (cont'd)	daily rate. The staffing plan is not intended to be a reflection of the daily hours provided, but rather a snapshot of the client's average assessed needs. During the cost settlement process, the Department's rate analysts verify accuracy of the reports and request additional documentation for support when necessary. The Department works with the providers to address any issues prior to the filing of cost reports. <u>Settlements</u> The Department has the authority to reimburse the service provider for services delivered. Sometimes, overtime costs are necessary to adequately support clients, such as when: • The ISS cost exceeds the reimbursed rate. • A service provider has to fund the delivery of ISS by the use of overtime since there is an industry-wide staffing shortage. • High staff turnover and vacancy rate in the supported living industry necessitates the use of overtime. All ISS hours are documented initially in the cost report as delivered at the benchmark. During the cost settlement process, the Department can grant an exception to the benchmark rate for the hours purchased. The hours purchased at the higher benchmark may be adjusted for the total hours purchased. <u>Categorization of Employees</u> Department policy states that for staff who perform both administrative/non-staff functions and ISS, the service provider may include that portion of the employee's hours that are dedicated to ISS function. The Department relies on the function of the position, rather than the title of the position. The Department will continue to: • Follow current policy and monitoring activities to ensure individual client assessed support needs are met. • Use statistical sampling method and risk assessment to select a sample of agencies to verify that ISS cost information submitted by providers is accurate. • Grant exceptions to the payment rates if needed. By December 2019, the Department will: • Increase the sampling size for cost report reviews to cover approximately one quarter of the supported living agencies. • Work with ProviderOne payment system partners to address system edits to prevent duplicate claims. • Consult with the federal grantor as to whether the questioned costs identified by the audit should be repaid.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number		Finding and Corrective Action Plan
2018	058 (cont'd)		By January 2020, the Department will: • Offer training to providers on maintaining adequate documentation to support ISS expenses. • Review a targeted sample of provider records to evaluate and determine whether supporting documentation is adequate. • Complete desk audits of selected providers and work with the providers to resolve any payment discrepancies identified. By July 2020, the Department will process overpayments for the duplicate payments identified. The conditions noted in this finding were previously reported in findings 2017-044, 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2013-036, 2013-038, and 12-39.
		Completion Date:	Estimated July 2020
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	059	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $1,362,413 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. While the Department agrees that person-centered service plans must be signed by the Department, client, and provider, the Department does not agree that improper payments can be assigned when a person-centered service plan is not signed by an individual responsible for its implementation. The Centers for Medicare and Medicaid Services (CMS) had previously provided guidance to the Department stating that the federal rules covering eligibility for services are separate from the rules on person-centered service planning. In all the cases reviewed by the auditors in the audit, the Department made payments to qualified providers for covered services delivered to eligible beneficiaries. The lack of a signed service plan does not render a client ineligible for services and therefore should not result in an improper payment. In January 2018, the Department updated the quality assurance procedures in monitoring compliance for obtaining client signatures on service plans. The Division‘s Quality Assurance team reviews client and Department signatures from a statewide sample, including documented attempts to obtain signatures. The review is part of an established annual audit cycle and measures statewide proficiency. If the annual review determines that the proficiency has fallen below the CMS standard of 86 percent, a quality improvement plan will be implemented to improve statewide performance. The Department also disagrees that any signatures received after 60 days should result in exceptions. Federal regulations require signatures, but not within a specified amount of time. CMS did provide guidance that in some cases it may be difficult to obtain signatures and gave direction on steps the Department can take to comply with the rules while still continuing services without the required signatures. Based on CMS guidance, effective December 2018, the Department changed its regulations to no longer require the termination of services should a client not return a signed service plan within 60 days of the completion of assessment. Since the previous rule was in conflict with

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number		Finding and Corrective Action Plan
2018	059 (cont'd)		federal guidance and has subsequently been revised, the Department disagrees with the auditor's determination that: • Improper payments resulted from seven service plans that were not signed by the clients within 60 days. • Seven Department signatures and two provider signatures received after 60 days were audit exceptions. The 60-day time frame for the Department and providers was not required by either federal or state regulations. By July 2019, the Department will: • Revise its policies and procedures to add the requirement of provider signatures on person-centered service plans. This requirement will also be added to the quality assurance monitoring process. • Implement technical upgrades in the Comprehensive Assessment and Reporting Evaluation assessment tool to allow clients to sign their service plans via an electronic method. • Provide training and outreach efforts to field staff on the new requirement and the alternatives for obtaining client's signature on person-centered service plans. By November 2019, the Department will complete targeted reviews to measure compliance and determine additional actions needed to increase proficiency rate with this requirement. By January 2020, the Department will: • Consult with CMS to clarify if person-centered service plans that are missing signatures should result in unallowable payments, and if applicable, the associated costs related to any unallowable payments. • Work with the U.S. Department of Health and Human Services to determine if the questioned costs identified by the audit should be repaid. The conditions noted in this finding were previously reported in finding 2017-045.
		Completion Date:	Estimated January 2020
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	060	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.
		Questioned Costs:	<u>CFDA #</u> 93.775, 93.777, 93.778 — <u>Amount</u> $1,089,551
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. The auditors expanded the audit scope in fiscal year 2018 to include a review of provider signatures on person-centered service plans, in addition to Department and client signatures, for compliance with federal requirements. While the Department agrees that it must comply with federal regulations regarding obtaining signatures on clients' person-centered service plans, the Department does not agree that improper payments can be assigned when a service plan is not signed by an individual responsible for its implementation. The Centers for Medicare and Medicaid Services (CMS) had provided guidance to the Department stating that the federal rules covering eligibility for services are separate from the rules on person-centered service planning. In all the cases reviewed by the auditors in the audit, the Department made payments to qualified providers for covered services delivered to eligible beneficiaries. The lack of a signed person-centered service plan does not render a client ineligible for services or a provider unqualified to provide services, and therefore should not result in an improper payment. The Department also disagrees that any signatures received after 60 days should result in exceptions. Federal regulations require signatures, but not within a specified amount of time. CMS did provide guidance that in some cases it may be difficult to obtain signatures and gave direction on steps the Department can take to comply with the rules while still continuing services without the required signatures. Based on CMS guidance, effective December 2018, the Department changed its regulations for the Community First Choice Program to no longer require the termination of services should a client not return a signed person-centered service plan within 60 days of the completion of assessment. The Department has quality assurance processes in place to monitor compliance in obtaining client and Department signatures on person-centered service plans:

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	060 (cont'd)	• The Administration's Quality Compliance Coordination team reviews client and Department signatures from a statewide sample, including documented attempts to obtain signatures. The review is part of an established annual audit cycle and measures statewide proficiency. If the annual review determines that the proficiency has fallen below the CMS standard of 86 percent, a quality improvement plan will be implemented to improve statewide performance. • Case Manager Supervisors perform monthly monitoring of all staff for compliance with signature requirements. By July 2019, the Department will: • Consult with CMS to determine if person-centered service plans that are missing signatures should result in an unallowable payment. If necessary, the Department will identify associated costs related to any unallowable payments. • Work with the U.S. Department of Health and Human Services to determine if any costs identified by the audit should be repaid. By January 2020, the Department will: • Update policies and procedures to add the requirement of provider signatures on person-centered service plans. This requirement will also be added to the quality assurance monitoring process. • Develop and implement a training specifically designed to provide support and guidance to staff in obtaining required signatures on service plans in alignment with CMS guidance. By September 2020, the Department will enhance the quality assurance process to monitor compliance with the signatures requirement. The conditions noted in this finding were previously reported in finding 2017-046 and 2016-043. Completion Date: Estimated September 2020 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Military Department **Agency 245**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	061	Finding:	The Military Department did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of Disaster Grants-Public Assistance received required audits.
		Questioned Costs:	CFDA # 97.036 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	In response to prior year's finding, the Department has been working on implementing process changes as outlined in the corrective action plan. As of November 2018, the Department updated the existing subrecipient monitoring policy to clearly outline roles and responsibilities for divisions and grant programs. The Finance Division maintains the Department's Audit Tracker system and is responsible for collecting audit data from subrecipients across the Department. As of March 2019, the Division has mostly completed documenting all relevant audits for subrecipients that received grant funds in 2017 and 2018. After all audit data has been collected, the Finance Division will: • Verify all required audits occurred. • Ensure all subrecipient audit findings related to the program were followed up on. • Ensure management decision letters were issued promptly where necessary. • Continue to add new subrecipients to the Audit Tracker system as new grants are awarded in 2019 and beyond. • Monitor audit status in the system and follow up as required. The program will continue to perform program monitoring activities. Upon receipt of an audit finding notification, the program performs an extensive review of the finding and issue management decision letters as needed. By April 2019, the Department anticipates the new process will be fully implemented. The conditions noted in this finding were previously reported in finding 2017-052.
		Completion Date:	Estimated April 2019

Military Department **Agency 245**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	061 (cont'd)	Agency Contact:	Rich Shimizu Deputy Finance Director Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-7596 Rich.shimizu@mil.wa.gov

State of Washington

Single Audit Report

For Fiscal Year Ended

June 30, 2018

Auditee's Section

Summary Schedule of Prior Audit Findings

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STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT
Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

March 20, 2019

Washington State Auditor's Office
ATTN: Jim Brownell, Audit Manager
3200 Sunset Way S.E.
Olympia, WA 98504-0031

To the Washington State Auditor's Office:

Enclosed with this letter is the state of Washington's Summary Schedule of Prior Audit Findings for the following audit findings in the fiscal year 2018 Single Audit report.

Finding Number	State Agency	Corrective Action Status	Page Number
2017-001	State of Washington	In progress	H-13
2017-002	Department of Social and Health Services	In progress	H-18
2017-003	Department of Health	In progress	H-20
2017-004	Department of Social and Health Services	Complete	H-21
2017-005	Employment Security Department	In progress	H-22
2017-006	Department of Services for the Blind	In progress	H-23
2017-007	Department of Services for the Blind	In progress	H-25
2017-008	Department of Services for the Blind	In progress	H-27
2017-009	Department of Services for the Blind	In progress	H-28
2017-010	Department of Services for the Blind	In progress	H-29
2017-011	Department of Services for the Blind	Complete	H-30

Finding Number	State Agency	Corrective Action Status	Page Number
2017-012	Department of Social and Health Services	In progress	H-31
2017-013	Department of Social and Health Services	In progress	H-33
2017-014	Department of Social and Health Services	In progress	H-34
2017-015	Department of Social and Health Services	Complete	H-36
2017-016	Department of Social and Health Services	In progress	H-37
2017-017	Department of Social and Health Services	In progress	H-38
2017-018	Department of Social and Health Services	Complete	H-40
2017-019	Department of Social and Health Services	In progress	H-42
2017-020	Department of Social and Health Services	In progress	H-44
2017-021	Department of Social and Health Services	In progress	H-46
2017-022	Department of Social and Health Services	In progress	H-48
2017-023	Department of Social and Health Services	In progress	H-49
2017-024	Department of Early Learning	In progress	H-50
2017-025	Department of Early Learning	In progress	H-53
2017-026	Department of Social and Health Services	In progress	H-55
2017-027	Department of Social and Health Services	In progress	H-59
2017-028	Department of Social and Health Services	In progress	H-60
2017-029	Department of Social and Health Services	Complete	H-61
2017-030	Department of Social and Health Services	In progress	H-62

Finding Number	State Agency	Corrective Action Status	Page Number
2017-031	State Health Care Authority	In progress	H-63
2017-032	State Health Care Authority	In progress	H-64
2017-033	State Health Care Authority	In progress	H-66
2017-034	State Health Care Authority	In progress	H-68
2017-035	State Health Care Authority	In progress	H-69
2017-036	State Health Care Authority	In progress	H-71
2017-037	State Health Care Authority	In progress	H-72
2017-038	State Health Care Authority	Corrective Action Not Taken	H-73
2017-039	State Health Care Authority	In progress	H-74
2017-040	State Health Care Authority	Corrective Action Not Taken	H-75
2017-041	State Health Care Authority	In progress	H-76
2017-042	Department of Social and Health Services	Complete	H-77
2017-043	Department of Social and Health Services	In progress	H-79
2017-044	Department of Social and Health Services	In progress	H-80
2017-045	Department of Social and Health Services	In progress	H-83
2017-046	Department of Social and Health Services	In progress	H-85
2017-047	Department of Social and Health Services	In progress	H-87
2017-048	Department of Social and Health Services	In progress	H-89
2017-049	Department of Social and Health Services	In progress	H-91
2017-050	Department of Social and Health Services	In progress	H-92
2017-051	Department of Social and Health Services	Complete	H-94

Finding Number	State Agency	Corrective Action Status	Page Number
2017-052	Military Department	In progress	H-95
2016-001	State of Washington	Repeat Finding	Refer to finding 2017-001 at H-13
2016-002	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-002 at H-18
2016-004	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-004 at H-21
2016-009	Department of Services for the Blind	Repeat Finding	Refer to finding 2017-007 at H-25
2016-010	Department of Services for the Blind	Repeat Finding	Refer to finding 2017-006 at H-23
2016-011	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-012 at H-31
2016-012	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-013 at H-33
2016-013	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-014 at H-34
2016-014	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-016 at H-37
2016-015	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-018 at H-40
2016-016	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-020 at H-44
2016-017	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-019 at H-42
2016-018	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-021 at H-46
2016-019	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-017 at H-38
2016-020	Department of Early Learning / Department of Social and Health Services	Repeat Finding	Refer to finding 2017-027 at H-59
2016-021	Department of Early Learning	Repeat Finding	Refer to finding 2017-024 at H-50

Finding Number	State Agency	Corrective Action Status	Page Number
2016-022	Department of Early Learning	Repeat finding	Refer to finding 2017-025 at H-53
2016-023	Department of Social and Health Services	Repeat finding	Refer to finding 2017-026 at H-55
2016-024	Department of Social and Health Services	Repeat finding	Refer to finding 2017-029 at H-61
2016-026	Department of Social and Health Services	Repeat finding	Refer to finding 2017-030 at H-62
2016-028	State Health Care Authority	Repeat finding	Refer to finding 2017-031 at H-63
2016-029	State Health Care Authority	Complete	Refer to finding 2017-034 at H-68
2016-030	State Health Care Authority	Repeat finding	Refer to finding 2017-041 at H-76
2016-031	State Health Care Authority	Complete	H-97
2016-032	State Health Care Authority	Repeat finding	Refer to finding 2017-035 at H-69
2016-033	State Health Care Authority	In progress	H-98
2016-034	State Health Care Authority	Repeat finding	Refer to finding 2017-038 at H-73
2016-036	Department of Social and Health Services	Repeat finding	Refer to finding 2017-043 at H-79
2016-037	Department of Social and Health Services	Complete	Refer to finding 2017-042 at H-77
2016-040	Department of Social and Health Services	Complete	Refer to finding 2017-049 at H-91
2016-041	Department of Social and Health Services	Complete	Refer to finding 2017-044 at H-80
2016-042	Department of Social and Health Services	Complete	H-99
2016-043	Department of Social and Health Services	Repeat finding	Refer to finding 2017-046 at H-85
2016-044	Department of Social and Health Services	Repeat finding	Refer to finding 2017-048 at H-89
2016-045	Department of Social and Health Services	Repeat finding	Refer to finding 2017-044 at H-80

Finding Number	State Agency	Corrective Action Status	Page Number
2016-046	Department of Social and Health Services	Complete	H-100
2016-047	Department of Social and Health Services	In progress	H-101
2016-048	Department of Social and Health Services	In progress	H-102
2016-049	Department of Social and Health Services	Complete	H-103
2015-002	State of Washington	Repeat finding	Refer to finding 2017-001 at H-13
2015-003	Department of Social and Health Services	Repeat finding	Refer to finding 2017-002 at H-18
2015-016	Department of Social and Health Services	Repeat finding	Refer to finding 2017-016 at H-37
2015-018	Department of Social and Health Services	Repeat finding	Refer to finding 2017-018 at H-40
2015-020	Department of Social and Health Services	Repeat finding	Refer to finding 2017-019 at H-42
2015-021	Department of Social and Health Services	Repeat finding	Refer to finding 2017-021 at H-46
2015-023	Department of Early Learning	Repeat finding	Refer to finding 2017-024 at H-50
2015-024	Department of Early Learning	Repeat finding	Refer to finding 2017-025 at H-53
2015-025	Department of Early Learning	Repeat finding	Refer to finding 2017-027 at H-59
2015-026	Department of Social and Health Services	Repeat finding	Refer to finding 2017-026 at H-55
2015-028	Department of Social and Health Services	Repeat finding	Refer to finding 2017-029 at H-61
2015-030	State Health Care Authority	Repeat finding	Refer to finding 2017-031 at H-63
2015-031	State Health Care Authority	Complete	H-104

Finding Number	State Agency	Corrective Action Status	Page Number
2015-033	State Health Care Authority	Repeat finding	Refer to finding 2017-041 at H-76
2015-034	State Health Care Authority	Complete	Refer to finding 2017-035 at H-69
2015-037	State Health Care Authority	In Progress	H-105
2015-038	State Health Care Authority	Complete	H-106
2015-039	State Health Care Authority	Repeat finding	Refer to finding 2017-038 at H-73
2015-040	Department of Social and Health Services	Repeat finding	Refer to finding 2017-049 at H-91
2015-041	Department of Social and Health Services	In Progress	H-107
2015-044	Department of Social and Health Services	Repeat finding	Refer to finding 2017-043 at H-79
2015-045	Department of Social and Health Services	Complete	Refer to finding 2017-042 at H-77
2015-049	Department of Social and Health Services	Repeat finding	Refer to finding 2017-044 at H-80
2015-051	Department of Social and Health Services	Repeat finding	Refer to finding 2017-048 at H-89
2015-052	Department of Social and Health Services	Complete	Refer to finding 2017-044 at H-80
2014-012	Workforce Training and Education Coordinating Board	Complete	H-108
2014-019	Department of Social and Health Services	Repeat finding	Refer to finding 2017-016 at H-37
2014-022	Department of Social and Health Services	Repeat finding	Refer to finding 2017-002 at H-18
2014-023	Department of Early Learning	Repeat finding	Refer to finding 2017-024 at H-50
2014-026	Department of Social and Health Services	Repeat finding	Refer to finding 2017-026 at H-55

Finding Number	State Agency	Corrective Action Status	Page Number
2014-027	Department of Social and Health Services	Repeat finding	Refer to finding 2017-029 at H-61
2014-034	State Health Care Authority	Repeat finding	Refer to finding 2017-031 at H-63
2014-042	Department of Social and Health Services	Repeat finding	Refer to finding 2017-044 at H-80
2014-046	Department of Social and Health Services	Repeat finding	Refer to finding 2017-043 at H-79
2014-048	Department of Social and Health Services	Repeat finding	Refer to finding 2017-048 at H-89
2013-016	Department of Early Learning	Repeat finding	Refer to finding 2017-024 at H-50
2013-017	Department of Social and Health Services	Repeat finding	Refer to finding 2017-026 at H-55
2013-020	State Health Care Authority	Repeat finding	Refer to finding 2017-031 at H-63
2013-036	Department of Social and Health Services	Repeat finding	Refer to finding 2017-044 at H-80
2013-037	Department of Social and Health Services	Complete	Refer to finding 2017-048 at H-89
12-28	Department of Early Learning	Repeat finding	Refer to finding 2017-024 at H-50
12-30	Department of Social and Health Services	Repeat finding	Refer to finding 2017-026 at H-55
12-39	Department of Social and Health Services	Repeat finding	Refer to finding 2017-044 at H-80

Finding Number	State Agency	Corrective Action Status	Page Number
12-49	State Health Care Authority	Repeat finding	Refer to finding 2017-031 at H-63
12-54	State Health Care Authority	Complete	Refer to finding 2017-034 at H-68
11-23	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2017-024 at H-50
11-34	Department of Social and Health Services	Complete	Refer to finding 2017-049 at H-91
11-38	State Health Care Authority	Repeat finding	Refer to finding 2017-031 at H-63
10-31	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2017-024 at H-50
10-40	Department of Social and Health Services	Repeat finding	Refer to finding 2017-031 at H-63
09-12	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2017-024 at H-50
09-19	Department of Social and Health Services	Repeat finding	Refer to finding 2017-031 at H-63
08-13	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2017-024 at H-50
08-25	Department of Social and Health Services	Repeat finding	Refer to finding 2017-031 at H-63

The state's Summary Schedule of Prior Audit Findings is a compilation of the corrective action information provided to us by the applicable state agencies. The Summary Schedule of Prior Audit Findings document is prepared in conjunction with the 2018 Single Audit.

We appreciate the efforts of the Washington State Auditor's Office in completing the Single Audit for the state for fiscal year 2018. If you have any questions regarding the Summary Schedule of Prior Audit Findings, please do not hesitate to contact our office.

Sincerely,

Brian Tinney
Assistant Director, Accounting

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	001	Finding:	The State should improve internal controls over specific areas of processing, recording, monitoring and reporting of financial activity included in the State's financial statements.
		Questioned Costs:	<u>CFDA #</u> N/A <u>Amount</u> $0
		Status:	Corrective action in progress
		Corrective Action:	The Office of Financial Management (OFM), with the collaboration of state agencies, strives for the highest standards in the preparation of the state's financial statements. OFM has discussed the issues with the agencies included in this finding and provided assistance in developing their respective corrective action plans. Response from each agency is listed below: ***Employment Security Department*** The Department partially agrees with the finding. In 2016, the Department established a Next Generation Tax System (NGTS) Interfaces and Data Quality Assurance project team comprised of representatives from the business and technology sectors to address concerns regarding the NGTS. The project team has been working on improving the system's internal controls related to processing transactions, reporting, and reconciliations between systems. In addition, the Department contracted with Microsoft to remediate technical issues with the NGTS system. <u>System Processing</u> The finding incorrectly states adjustments can be entered and processed in NGTS without review and approval of a second person. The Department did have a process in place at the time of audit; however, the process was not documented. Prior to the end of the audit, management had begun documenting the process of reviewing and approving adjustments. The auditors took exceptions that the Detailed Benefit Charges within NGTS do not consistently match the Summary of Benefit Charges. It is normal business practice to expect varying discrepancies between assessed and paid premium amounts, especially for large employers. When audit testing of a selected sample found a percentage of employer receivable balances at year-end varied from the employer paid amounts recorded in NGTS, it should not be construed as a misstatement on the financial statements. <u>System Report issues</u> The Department agrees that some experienced-rated employers with delinquent accounts had at least one rate within the audit period that was incorrect resulting in an immaterial misstatement. However, the

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	001 (cont'd)	Department does not agree with the other system report issues as described in the condition of the finding. As started in prior audit finding responses, the Department does not rely on NGTS reports for financial reporting. The auditors have neither communicated to Department management what specific system reports they referred to, nor explained how they were used for or their impact on financial reporting. Based on Generally Accepted Government Auditing Standards, the audit failed to identify any clear logical link of the effect to the system report issues that led to this misstatement. <u>Reconciliations</u> The Department agrees that NGTS has not been reconciled to the bank and has subsequently established a monthly reconciliation process between the bank (and other supporting documents) and the NTGS sub ledger. By August 2018, the Department anticipates all monthly reconciliations with the bank will be completed for fiscal year 2018. The Department agrees that there are no reconciliations between systems to ensure information transmitted by interfaces is accurate and complete. In June 2018, the Department established a manual reconciliation process between UTAB and NGTS. The Department is currently prioritizing the development of the Enterprise Batch Management System (EBMS), an automated reconciliation and notification interface for all major systems that communicate with NGTS. The Department anticipates EBMS to be completed by December 2018 to facilitate accurate transmission of information between systems. The auditor did not communicate what constitutes adequate controls over interfaces between internal and external systems. Nonetheless, the Department will continue to identify and implement necessary controls over interfaces to ensure information transmitted is accurate and complete. ***Health Care Authority*** The Authority recognizes the significance and priority of internal controls over recording and reporting financial transactions. Currently, the ProviderOne vendor provides an independent service organization control audit every other calendar year. In 2015, the Authority requested funding from the Legislature to contract for a service organization control audit report on an annual basis so each state fiscal year will be covered. This request was not funded. The estimated additional cost to purchase an annual service organization control audit report is $470,000. The Authority will re-submit a request for funding to obtain the annual audit report.

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	001 (cont'd)	***State Board of Community and Technical Colleges*** The Board implemented the PeopleSoft system in 2015 to replace the existing legacy software, and Community Colleges of Spokane (Spokane) and Tacoma Community College (Tacoma) were the first to go live with the new system. Since its implementation, there have been ongoing efforts to improve data accuracy and correct deficiencies. At the time of the 2017 audit, these two colleges are still in the process of identifying and correcting financial records for fiscal year 2016. It is the Board's priority to ensure accurate financial data is interfaced into the Agency Financial and Reporting System (AFRS), the state's accounting system. To address the audit recommendations, the Board has taken the following corrective actions: • The Director of Accounting and Business Services has been leading a support team of up to 10 accounting and project staff dedicated to assist these two colleges in closing fiscal years 2016 and 2017. Since September 2017, the Board has provided assistance both on-site and remotely in reconciling all accounting records. As of June 2018, Tacoma has closed both fiscal years 2016 and 2017 and the financial statements were audited for both years. Tacoma is currently working on closing fiscal year 2018. By August 2018, the Board expects both colleges to fully reconcile their accounts and close all prior fiscal years. • Staff on the support team provides assistance to the colleges in: o Reviewing, reconciling and making adjustments in all balance sheet general ledgers. Currently, the colleges are reconciling between funds, program indexes and organization indexes. o Reconciling cash with the new system. As of June 2018, reconciliation with bank statements is mostly completed for both colleges. o Monitoring and reconciling data in the Asset Management module of the new system prior to uploading to AFRS to ensure accurate tracking and recording of capital assets and depreciation. By August 2018, reconciliation of assets is expected to be completed, after which a reconciliation of all general ledgers in the college system to AFRS will be performed. o Providing training to college accounting staff in using the new system and implementing internal controls. • Additional technical staff were also assigned to develop customized programs and enhance the Financial Pillar of the new system to facilitate more efficient account reconciliation and year-end closing process. The Board has developed numerous reports and processes to assist the colleges in reconciling and closing prior fiscal years and will continue to provide support when the needs arise to expand reporting capabilities. The Board anticipates the data clean-up process of the new system be completed by the close of fiscal year 2018.

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	001 (cont'd)	Additionally, the Accounting and Business Services Director will continue to monitor and assist the other 32 colleges in their accounting and reporting of financial data. ***Department of Licensing*** To address the audit recommendations, the Department will: • Perform monthly monitoring and review, in addition to the monitoring by the Office of Financial Management (OFM). • Provide OFM with updates of material revenue increases and decreases of more than 10 percent as they occur. OFM will work with the Department to determine potential impact and appropriate actions. • Perform analytical review at yearend to identify and correct accounting errors, and follow up to ensure they are appropriately addressed. ***Office of Financial Management and the Guaranteed Education Tuition Program*** The Office of Financial Management (OFM) prepares the state's financial statements in accordance with generally accepted accounting principles and recognizes the importance of internal controls over recording and reporting financial transactions. OFM has procedures in place to monitor and identify significant agency activities that may affect the state's financial reporting, as follows: • Perform quarterly and year-end analytical reviews on revenues, in addition to the analytical review by line items performed at yearend. As of January 2018, an analytical review by fund is also performed at mid fiscal year. These analytical reviews are used to help detect unusual or questionable transactions. • Monitor and review unusual events or unique program activities related to legislative changes or other mandates, and assess the overall statewide impact. • Perform necessary accounting research for all special and unique transactions and work with responsible agencies to ensure the transactions are properly accounted for and correctly reported in the Agency Financial Reporting System (AFRS), the state's accounting system. When interpretation of standards are not definitive, OFM will seek guidance from the Governmental Accounting Standards Board. • Perform monthly monitoring of agencies' financial data by running reports from AFRS to identify incorrect transactions and questionable balances. • Require agencies to complete year-end disclosure forms to collect vital information which have significant impact on the state's financial reporting. Agency chief financial officers are also required to certify the accuracy and completeness of their financial data. • Maintain ongoing communication with agencies to emphasize the need to contact OFM for guidance regarding reporting unique accounting activities.

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	001 (cont'd)	• Conduct meetings with all agencies prior to fiscal year-end close to provide important reminders and review outstanding issues. • Continue to provide ongoing training classes to all state agencies on various topics related to the processing and reporting of financial activities. As of March 2018, OFM procured a financial reporting program for preparing the state's Comprehensive Annual Financial Report. The new program will improve efficiency and accuracy, and allow OFM to dedicate more resources at year-end for review. OFM will continue to work with Employment Security Department, Department of Licensing, Health Care Authority, State Board of Community and Technical Colleges, and the Washington Student Achievement Council to strengthen their internal controls over processing and reporting of financial activities. The conditions in this finding were previously reported in findings 2016-001 and 2015-002. Completion Date: Estimated December 2018 Contact: Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (360)725-0171 brian.tinney@ofm.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	002	Finding:	The Department of Social and Health Services improperly charged about $4.1 million to multiple federal grants.
		Questioned Costs:	CFDA # / Amount 10.551 $4,061,653 10.561 93.558 93.566
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with this finding. As of March 2017, the Department's Economic Services Administration (ESA) implemented a procedure to add the month of service (MOS) to transactions processed in the Agency Financial Reporting System (AFRS), the state's accounting system. Accounting staff are required to include MOS in processing of all agency payments from AFRS. The Department utilizes the MOS to perform monthly review of AFRS transactions to identify unallowable charges and move them to the proper grant year via the journal voucher process. This process has helped ESA identify and ensure transactions not directly processed by the administration, such as payroll and benefits, are charged to the appropriate grant year. Prior to the start of the fiscal year 2017 audit, the Department identified approximately $22 million in expenditures charged to grants for activities that occurred before the start of the grant period. The Department had subsequently reversed $17.6 million of the improper charges. This information was disclosed to the auditors during their audit planning work. As of November 2017, the Department moved the timing of updating the Cost Allocation System to coincide with the commencement of the federal fiscal year. This change enables automatic charging of costs to the appropriate grant year through cost allocation for the applicable federal fiscal year. As of June 2018, the Department corrected the remaining $4.1 million of expenditures to the proper grant year using the journal voucher process. When the grantor contacts the Department regarding questioned costs, the Department will confirm these costs and will take appropriate action. The conditions noted in this finding were previously reported in findings 2016-002, 2015-003, and 2014-022.
		Completion Date:	In progress

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	002 (cont'd)	Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Health — Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	003	Finding:	The Department of Health did not have adequate internal controls over and could not demonstrate it complied with requirements to perform risk assessments for all subrecipients of the Special Supplemental Nutrition Program for Woman, Infants and Children program.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 10.557 $0
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. The Department strives to ensure compliance with federal regulations and has the following procedures in place to evaluate the risk of subrecipients as part of the monitoring protocol: • An initial written risk assessment is required for new subrecipients of a federal award. • For each subsequent subaward, an informal risk assessment is performed to determine if the subrecipient's risk level has changed and thus requires a new written risk assessment. Otherwise, the Department relies on the initial risk assessment. Informal risk assessments are performed by staff, and Department procedure does not require documentation be maintained for those activities. The auditors determined that lack of documentation of the informal risk assessments did not meet federal requirements. The auditors also determined that the Department does not have adequate internal controls to ensure required assessments are performed. As of June 2018, the Department has: • Updated the internal procedures for the program to require all risk assessments be documented in accordance with guidance from the federal grantor. • Incorporated the review of risk assessments into the contracting processes. • Communicated changes of the risk assessment process to staff. • Provided staff training through regular work group meetings and advisements from the Fiscal Monitoring Unit. By December 2018, the Department will: • Update agency-wide policies and procedures for risk assessments. • Develop and provide formal staff training on the risk assessment process.
		Completion Date:	Estimated December 2018
		Agency Contact:	Lydia Hoffman Internal Auditor PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 <u>Lydia.hoffman@doh.wa.gov</u>

Department of Social and Health Services Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	004	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with public assistance cost allocation plan requirements.
		Questioned Costs:	<u>CFDA #</u> Numerous <u>Amount</u> Undetermined
		Status:	Corrective action complete
		Corrective Action:	The Department concurs with the finding. During the previous audit, the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services, Region 10, Division of Cost Allocation (DCA) was in possession of the Department's fiscal year 2012, 2013, and 2014 cost allocation plans. While DCA was in possession of those three plans, they were working with the Department to ensure the 2012 plan was approved. The Department was provided verbal directions from DCA's negotiator to stop submitting plans until DCA finished approving the previous years' plans. Therefore, the Department stopped submitting new cost allocation plans. Subsequent to the prior year's finding, the Department received written directions from DCA to ensure cost allocation plans are submitted by June 30 of each year. The Department has since submitted the following three cost allocation plans to DCA: • Fiscal Year 2016 plan on February 28, 2017. • Fiscal Year 2017 plan on April 28, 2017. • Fiscal Year 2018 plan on June 30, 2017. The federal partners are actively working with the Department on approvals of the previously submitted plans. The conditions noted in this finding were previously reported in finding 2016-004.
		Completion Date:	June 2017
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <u>Richard.meyer@dshs.wa.gov</u>

Employment Security Department — Agency 540

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	005	Finding:	The Employment Security Department did not have adequate internal controls over and did not comply with requirements to ensure only eligible claimants of the Unemployment Insurance program received weekly benefits.
		Questioned Costs:	<u>CFDA #</u> 17.225 — <u>Amount</u> $0
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. The audit identified some design flaws in the Unemployment Tax and Benefit (UTAB) system causing cases selected for the job search verification process not being forwarded for verification. As of February 2018, the Department has: • Corrected the design flaws in the system that were identified in the audit. • Established new monitoring procedures to help ensure all work search verifications are completed and staff reviews are adequately documented. As of May 2018, the Department's Office of Internal Audit began conducting an assurance engagement to provide assurance to management that the Department has implemented corrective action to address the audit recommendations. The fieldwork phase has been completed and at this time no material gaps in assurance has been identified. By July 2018, the results of the assurance engagement will be finalized and reported to Department management.
		Completion Date:	Estimated July 2018
		Agency Contact:	Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov

Department of Services for the Blind **Agency 315**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	006	Finding:	The Department of Services for the Blind did not implement adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.
		Questioned Costs:	CFDA # 84.126 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	Previously, management had been relying on reviewing monthly reports from the case management system to identify delayed individual plans of employment (IPEs). These reports were reviewed by Regional Area Managers to assist counselors in meeting the 90-day deadline for each case. For the cases that were overdue, Regional Area Managers reviewed justification for the delay to ensure it was adequately and properly documented in the client's case notes within the case management system. The completed monthly reviews were sent to the Deputy Director to be filed. The exceptions identified in the prior audit revealed the limitations of monitoring by monthly reports. Since the reports only showed a snapshot in time, they did not include those delayed IPEs that had been resolved before the date the reports were generated. Consequently, management was not alerted of delayed IPEs that were missing the required justification and documentation. In response to the audit recommendations, the Department has taken the following corrective actions: • As of August 2017, completed the testing of the Dashboard in the case management system, and determined that the data values provided by the Dashboard were sufficiently reliable to be used as a tool to monitor compliance. Case managers have since received appropriate training to use the tool weekly to manage their caseloads on a real-time basis. With the implementation of this new process, the Department discontinued the use of monthly reports as a monitoring tool. The increased reliance on the Dashboard showed a significant decrease in incidence of delayed plans and increase in timely justifications where needed. • As of September 2017, implemented a process to identify IPEs nearing the 90-day deadline for the upcoming week and to remind counselors of required client signatures and components for documenting a delay justification if an IPE is not expected to be developed within the 90-day timeframe. Regional Area Managers provided coaching to counselors on the effective use of the Dashboard feature and performed weekly monitoring of the use of the tool. • Communicated to Regional Managers a target of less than ten percent overdue IPEs for the agency, by region and counselor. As of October

Department of Services for the Blind — Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	006 (cont'd)		2017, performance data showed a decrease in agency-wide overdue IPEs compared to the previous fiscal year though not within the target range. Nonetheless, the average number of days taken to complete IPEs for all individuals has fallen to less than the required 90 days. • Finalized the revision of the Washington Administrative Code (WAC) to align with the new Workforce Innovation and Opportunity Act of 2014 that includes the requirements of delay justification documentation. • As of June 2018, the revision of agency policy had passed all aspects of Office of Code Reviser processes and is expected to be adopted in August 2018. By December 2018, the Department will update sections of the Vocational Rehabilitation Procedures Manual including IPE development and related requirements, which will occur in tandem with the implementation of a new case management system. The updated procedure manual will reflect the internal controls in place for the IPE development process. The conditions noted in this finding were previously reported in finding 2016-010.
		Completion Date:	Estimated December 2018
		Agency Contact:	Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov

Department of Services for the Blind — Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	007	Finding:	The Department of Services for the Blind did not establish adequate internal controls over, and was not compliant with, federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable time period.
		Questioned Costs:	<u>CFDA #</u> 84.126 — <u>Amount</u> $0
		Status:	Corrective action in progress
		Corrective Action:	Previously, management had been relying on reviewing monthly reports from the case management system to identify delayed eligibility determinations. These reports were reviewed by Regional Area Managers to assist counselors in meeting the 60-day deadline for each case. For the cases that were overdue, Regional Area Managers reviewed justification for the delay to ensure it was adequately and properly documented in the client's case notes within the case management system. The completed monthly reviews were sent to the Deputy Director to be filed. The exceptions identified in the prior audit revealed the limitations of monitoring by monthly reports. Since the reports only showed a snapshot in time, they did not include those delayed eligibility determinations that had been resolved before the date the reports were generated. Consequently, management was not alerted of delayed IPEs that were missing the required justification and documentation. In response to the audit recommendations, the Department has taken the following corrective actions: • As of August 2017, completed the testing of the Dashboard in the case management system, and determined that the data values provided by the Dashboard were sufficiently reliable to be used as a tool to monitor compliance. Case managers have since received appropriate training to use the tool weekly to manage their caseloads on a real-time basis. With the implementation of this new process, the Department discontinued the use of monthly reports as a monitoring tool. • As of September 2017, implemented a process to identify eligibility determinations nearing the 60-day deadline for the upcoming week and to remind counselors of the required components for documenting a delay justification if a determination is not expected to be made within the 60-day timeframe. This process includes ensuring exceptional and unforeseen circumstances are documented and that extensions with specific period are supported with a client agreement. Regional Area Managers provided coaching to counselors on the effective use of the Dashboard feature and performed weekly monitoring of the use of the tool. • Communicated to Regional Managers a target of less than ten percent overdue eligibilities for the agency, by region and counselor. As of October 2017, performance data showed that agency-wide delayed

Department of Services for the Blind Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	007 (cont'd)		eligibility determinations decreased to less than ten percent. In addition, there were improvements in number of days taken to complete eligibility determination. • Finalized the revision of the Washington Administrative Code (WAC) to align with the new Workforce Innovation and Opportunity Act of 2014 that includes the requirements of delay justification documentation. • As of June 2018, the revision of agency policy had passed all aspects of Office of Code Reviser processes, and is expected to be adopted in August 2018. By December 2018, the Department will update sections of the Vocational Rehabilitation Procedures Manual including eligibility determination and related requirements, which will occur in tandem with the implementation of a new case management system. The updated procedure manual will reflect the internal controls in place for the eligibility determination process. The conditions noted in this finding were previously reported in finding 2016-009.
		Completion Date:	Estimated December 2018
		Agency Contact:	Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov

Department of Services for the Blind — Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	008	Finding:	The Department of Services for the Blind did not have adequate internal controls to ensure cash draws were accurate and federal spending requirements were met for the Vocational Rehabilitation program.
		Questioned Costs:	CFDA # 84.126 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. The Department had experienced staff turnover in the fiscal unit that affected the level of oversight over the federal reimbursement request process. To address the audit recommendations, the Department implemented the following corrective actions: • As of September 2017, hired a Deputy Financial Officer to provide additional oversight to the federal draw process. • As of October 2017, developed an internal checklist for the federal draw process and incorporated in the existing procedures. • Implemented a secondary review by requiring the approval of the Deputy Financial Officer after the Accounting Manager prepares the federal draws.
		Completion Date:	In progress
		Agency Contact:	Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov

Department of Services for the Blind Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	009	Finding:	The Department of Services for the Blind did not have adequate controls over, and was not compliant with, federal requirements for charging costs to the Vocational Rehabilitation program.
		Questioned Costs:	CFDA # 84.126 — Amount $2,479,527
		Status:	Corrective action in progress
		Corrective Action:	In August 2017, the Department submitted a request to the U.S. Department of Education (DOE) cost allocation group to switch from an indirect cost rate to a Cost Allocation Plan (CAP) and requested the plan be approved retroactively to July 1, 2016. The Department charged reasonable and appropriate indirect costs to federal grants during fiscal year 2017 with the understanding that the federal granter would approve the CAP retroactively. As of May 2018, the Department received approval for the Cost Allocation Plans for fiscal year 2018 to 2020, with an effective date of July 1, 2017. However, the fiscal year 2017 CAP did not receive retroactive approval. As of September 2017, the Department has implemented a secondary review process for indirect costs charged to federal grants. After accounting staff identifies the amount of indirect costs to charge against each grant, the Deputy Financial Officer conducts a review of the charges and approve the amounts. This secondary review process is in place and ongoing. The Department is working with DOE through the audit resolution process to determine whether the Department charged reasonable indirect costs during fiscal year 2017, and if any questioned costs need to be repaid.
		Completion Date:	Estimated September 2018
		Agency Contact:	Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov

Department of Services for the Blind — Agency 315

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Status</th></tr>
<tr><td>2017</td><td>010</td><td>Finding:</td><td>The Department of Services for the Blind did not have adequate internal controls over, and was not compliant with, reporting requirements for the Vocational Rehabilitation Grant.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> 84.126 — <u>Amount</u> $0</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Department concurs with the finding.

The Department processed adjustments in May 2017 to move expenditures to the appropriate grant year but inadvertently included the adjustments on the federal report ending March 2017. The Department had experienced staff turnover in the fiscal unit that affected the level of oversight over the federal reporting process.

To address the audit recommendations, the Department has implemented the following corrective actions:
• As of September 2017, hired a Deputy Financial Officer to provide additional oversight to the federal draw and reporting process.
• As of November 2017, submitted a corrected federal fiscal year 2016 report to include only transactions through the reporting period ending March 2017.
• As of November 2017, developed an internal checklist for the federal draw and reporting process and incorporated in the existing procedures.
• Implemented a secondary review by requiring approval by the Deputy Financial Officer after the Accounting Manager prepares the federal reports.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>In progress</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Lorie Christoferson
Deputy Financial Officer
PO Box 40933
Olympia, WA 98504-0933
(360) 725-3840
<u>Lorie.christoferson@dsb.wa.gov</u></td></tr>
</table>

Department of Services for the Blind Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	011	Finding:	The Department of Services for the Blind did not have adequate internal controls over, and was not compliant with, federal requirements to ensure only eligible expenditures were earmarked as pre-employment transition services.
		Questioned Costs:	<u>CFDA #</u> 84.126 — <u>Amount</u> $0
		Status:	Corrective action complete
		Corrective Action:	The Department was required to set aside at least 15 percent of each Vocational Rehabilitation (VR) award for pre-employment transition services to students eligible for the earmarked funds. For the 2016 award year, the Department had accurately identified and tracked the earmarked expenditures throughout the year. The Department charged $869,402 of VR grant expenditures above the 85 percent of the 2016 grant allocated to basic support and employment services. This amount was reported on the 2017 federal report in March 2017 but the expenditures were not moved to the 2017 grant until May 2017. To address the audit recommendations, the Department has taken the following corrective actions: • As of May 2017, processed adjustments to move $869,402 of basic support service expenditures charged to the 2016 grant to the 2017 grant. • As of September 2017, hired a Deputy Financial Officer to provide additional oversight to the federal draw and reporting process. • As of November 2017, submitted a corrected federal fiscal year 2016 report to include only transactions through the reporting period of March 2017. • Updated procedures to include a secondary review process. Two managers are required to review payments charged to earmarked funds to ensure only allowable services for eligible students are included.
		Completion Date:	November 2017
		Agency Contact:	Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 <u>Lorie.christoferson@dsb.wa.gov</u>

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	012	Finding:	The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.
		Questioned Costs:	CFDA # 84.126 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	Due to the timing of the prior year audit finding, the Department did not have sufficient time to implement all corrective actions prior to the start of the fiscal year 2017 audit. Nonetheless, the Department already implemented the following corrective actions: As of May 2017, the Department: • Director of Vocational Rehabilitation issued a directive to staff to communicate the expectations for establishing timely individual plans of employment (IPEs) and meeting documentation requirements for IPE extensions. • Updated the customer service manual to reflect the requirements for extending IPE beyond the 90-day timeframe. • Enhanced a web-based report that refreshes daily to include cases that are approaching or have exceeded the 60-day eligibility or the 90-day IPEs development timeframe. This feature enabled more effective monitoring of the timeliness of IPEs completion. As of July 2017, the case management system was updated to require both the counselor and client’s signatures upon completion of an IPE. As of March 2018, the Department: • Reviewed and enhanced reports from the case management system to monitor critical deadlines. • Established standard operating procedures for the IPE extension process and provided training to staff. As of June 2018, the Department enhanced the Supervisory Case Review Module in the case management system to strengthen internal controls in the review process of IPE establishment. By August 2018, the Department will develop training modules to include the review of management reports. The conditions noted in this finding were previously reported in finding 2016-011.
		Completion Date:	Estimated August 2018

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	012 (cont'd)	Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	013	Finding:	The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to ensure client eligibility determinations were accurate and made within a reasonable period of time for the Vocational Rehabilitation program.
		Questioned Costs:	CFDA # 84.126 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	Due to the timing of the prior year audit finding, the Department did not have sufficient time to implement all corrective actions prior to the start of the fiscal year 2017 audit. Nonetheless, the Department already implemented the following corrective actions: As of May 2017, the Department: • Director of Vocational Rehabilitation issued a directive to staff to communicate the expectations for timely client eligibility determinations with accurate supporting documentation. • Updated the customer service manual to reflect the documentation requirement for extending eligibility determination beyond the 60-day timeframe. • Enhanced a web-based report that refreshes daily to include cases that are approaching or have exceeded the 60-day eligibility or the 90-day IPE development timeframe. This feature enabled more effective monitoring of the timeliness of IPEs completion. As of March 2018, the Department: • Reviewed and enhanced reports from the case management system to monitor critical deadlines. • Established standard operating procedures for requesting extension of eligibility extension including the supervisory review process. As of June 2018, the Department enhanced the Supervisory Case Review Module in the case management system to strengthen internal controls in the review process of eligibility determination. By August 2018, the Department will develop training modules to include the review of management reports. The conditions noted in this finding were previously reported in finding 2016-012.
		Completion Date:	Estimated August 2018
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	014	Finding:	The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to ensure payments paid on behalf of clients for Vocational Rehabilitation were allowable.
		Questioned Costs:	CFDA # 84.126 — Amount $87,357
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. Due to the timing of the prior year audit finding, the Department did not have sufficient time to implement all corrective actions prior to the start of the fiscal year 2017 audit. Nonetheless, the Department already implemented the following corrective actions: As of May 2017, the Department has taken the following corrective actions: • Issued an agency directive outlining the expectations for timely completion of Individual Plan for Employment (IPE) that are supported by proper required documentation. • Issued directive to field staff communicating the federal requirements that client employment services must be included on the IPE along with the counselor and client signatures. • Completed updates to the employee procedure manual to incorporate the new agency directives. • Conducted quarterly internal compliance reviews to ensure services were included in appropriately approved IPEs. Prior to processing payments, supervisors receive system reports that identify authorizations not on the client's IPE. Supervisors are required to review the identified authorizations, respond, and document any actions taken. • Monitored compliance reviews on the SharePoint site by forwarding a summary spreadsheet to each office queue that has authorizations to address. All Regional Administrator and fiscal compliance managers have access to the site and receive electronic notifications to each review request and response. As of January 2018, the Department: • Developed staff training to include system enhancements and required processes to assist staff in ensuring IPEs are complete and properly approved before services are paid for. • Contacted the U.S. Department of Education and received confirmation that the questioned costs were waived. By October 2018, the Department will enhance the Service Tracking and Reporting System to send alerts to staff when new services are initiated that are not on a client's IPE. Additionally, services with costs exceeding the established threshold require client's signature on the updated IPE.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number		Finding and Corrective Action Status
2017	014 (cont'd)		The conditions noted in this finding were previously reported in finding 2016-013.
		Completion Date:	Estimated October 2018
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	015	Finding:	The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to ensure only eligible expenditures were earmarked as pre-employment transition services.
		Questioned Costs:	CFDA # 84.126 — Amount $10,512
		Status:	Corrective action complete
		Corrective Action:	The Department concurs with the finding. As of September 2017, the Department developed standard operating procedures to provide guidance to staff on how to determine allowable use of earmarked funds. As of October 2017, the Department updated the programming in the case management system to ensure payments for pre-employment transition services from the earmarked funds are only made for eligible students. Two parameters were added before the system will allow the case worker to select payments under the earmarked category: • The client's date of birth must meet the criteria. • A specific field must be checked by the caseworker indicating client is a student. As of February 2018, the Department: • Developed standard operating procedures for identifying and correcting payment errors related to earmarked funds. • Contacted the U.S. Department of Education and received confirmation that the questioned costs were waived.
		Completion Date:	February 2018
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Status</th></tr>
<tr><td>2017</td><td>016</td><td>Finding:</td><td>The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> / <u>Amount</u>
93.243 / $0
93.959</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Department concurs with the finding.

As of February 2018, the Department’s Office of Indian Policy has established procedures to document the following information in the Agency Contracts Database:
The yearly federal expenditures of each tribal entity.
Dates of completion of each tribal entity’s single audits.
As of March 2018, the Department’s Behavioral Health Administration (BHA) maintains a master contract list for sending audit verification forms and ensures staff involved in the process of subrecipient monitoring work from the same master list.

As of May 2018, BHA developed additional internal control procedures to supplement existing management bulletins and improve monitoring of subrecipients, This included:
Verifying subrecipients submit required audits.
Following up on all audit findings and issue management decisions promptly.
Requiring subrecipients to develop corrective action plans for audit findings, which will be tracked by the Department.
The Department also accessed the Federal Audit Clearinghouse to review and determined that no other tribal audits contained findings that involved Department funds.

The conditions noted in this finding were previously reported in findings 2016-014, 2015-016, and 2014-019.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>In progress</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Rick Meyer
External Audit Compliance Manager
PO Box 45804
Olympia, WA 98504-5804
(360) 664-6027
<u>Richard.meyer@dshs.wa.gov</u></td></tr>
</table>

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	017	Finding:	The Department of Social and Health Services did not have adequate internal controls over requirements to ensure payments to child care providers for the Temporary Assistance for Needy Families program were allowable.
		Questioned Costs:	CFDA # 93.558 — Amount $1,230
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. The Department acknowledges that adequate attendance records are necessary in the reconciliation process to determine allowable payments. Department of Early Learning (DEL) policy requires providers receiving subsidy payments to maintain attendance records and provide them upon request. However, because attendance records are paper based, it is not feasible for staff to request, review and reconcile all records before subsidy payments are made. DEL is implementing an electronic attendance system and intends to require all providers to use it effective July 1, 2018. Due to timing of the prior audit, the Department did not have sufficient time to address all audit recommendations within the fiscal year 2017 audit period. Nonetheless, the Department continues to conduct post-payment reviews of cases where an improper payment appears likely to have occurred. For these cases, staff review the case specifics and perform verification to include requesting attendance records to determine if an overpayment has occurred. The review also determines if it is a provider or a client overpayment, the amount of the improper payment, and establishes an overpayment if appropriate. The Department has established a Process Review Panel (PRP) comprised of three experienced staff from the Department's Economic Services Administration. The PRP was tasked with reviewing and evaluating audit findings, exploring options and recommending appropriate corrective actions. As of February 2018, the Department: • Developed and implemented internal controls including third-party reviews based on recommendations from the PRP. • Explored pre-authorization reviews on high-risk and/or high-cost cases based on trend analysis conducted by the PRP. These controls will help improve accuracy in eligibility and authorization determinations, which will reduce the risk for improper billings from providers. To appropriately and effectively initiate and implement these substantial changes while minimizing impact to our clients, the Department will seek 25 additional full-time employees and necessary resources to staff the

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	017 (cont'd)		business-process redesign and support the information technology initiatives necessary to improve our internal controls. If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action. The conditions noted in this finding were previously reported in finding 2016-019.
		Completion Date:	In progress
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services | **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	018	Finding:	The Department of Social and Health Services did not establish adequate internal controls over and did not comply with federal requirements to sanction Temporary Assistance for Needy Families program participants who were not cooperative with the Department regarding child support issues.
		Questioned Costs:	CFDA # 93.558 — Amount $2,314
		Status:	Corrective action complete
		Corrective Action:	The Department partially concurs with the audit finding. As of March 2017, the Department fully implemented new procedures to ensure Temporary Assistance for Needy Families (TANF) benefits are reduced or denied timely and accurately for participants who do not cooperate with child support requirements. The new procedures: • Increased the priority of noncooperation cases referred to the Community Services Division (CSD) to ensure documents are examined timely. • Implemented an automated process to identify currently closed cases that involve noncooperation, in the event the case is reopened. • Established a monitoring process to ensure all notifications of noncooperation received from prosecuting attorneys are entered into the case management system. By August 2018, the Division of Child Support Program Integrity Team will conduct an additional spot check audit to ensure all notifications are properly referred to CSD. The new procedures were implemented in March 2017 to address the prior year finding. The auditors did not identify any exceptions that occurred after March 2017 for the fiscal year 2017 audit period, validating the effectiveness of the new procedures. The Department will continue to follow the current process. The Department concurs that seven of the 11 clients identified in the finding received more benefits than they were eligible to receive. As of February 2018, the Department reviewed the exceptions identified and had established overpayments as appropriate. The Department does not concur with the questioned costs of $623 associated with one client identified in the finding, which would reduce the known question costs to $1,691. The Department found a procedural error occurred for this client, but the benefit amount received by the client during the audit period was found to be correct.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number		Finding and Corrective Action Status
2017	018 (cont'd)		For the remaining three clients in question, the Department: • Imposed sanctions on one client and the overpayment was already established appropriately for prior months. • Found procedural errors in the processing of two cases that did not result in any overpayments to the clients. If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action. The conditions noted in this finding were previously reported in findings 2016-015 and 2015-018.
		Completion Date:	February 2018
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	019	Finding:	The Department of Social and Health Services did not have adequate internal controls in place over maintenance of effort requirements for the Temporary Assistance for Needy Families grant.
		Questioned Costs:	<u>CFDA #</u> 93.558 <u>Amount</u> $0
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. In response to the prior year's finding, the Department spent significant time and effort on updating policies and procedures to address the previously identified weaknesses in reporting of the Temporary Assistance for Needy Families (TANF) grant. The Department created a work group comprised of staff from the Department's Division of Finance and Financial Recovery, Community Services Division, and Research & Data Analysis (RDA) Division. As of February 2017, the Department developed manuals that outline collaborative procedures among the three divisions in report preparation. However, due to timing of the audit, the corrective actions implemented by the Department were not included in the fiscal year 2017 audit period. As of April 2018, the Department: • Developed Memorandums of Understanding (MOUs) including projection of expenditures with all partnering sources prior to the start of the federal fiscal year. These MOUs gave the Department an opportunity to discuss current program operations, as well as allowable activities and expenditures with the partnering sources. During presentation of the MOUs, the Department reviewed partners' methodologies and record management protocols, and offered training and assistance when needed. Based on MOUs received, the Department projects that it will exceed the level of effort requirement. • Implemented a quarterly monitoring and reporting schedule for all maintenance of effort (MOE) sources throughout the federal fiscal year to ensure MOE reported expenditures are allowable and adequately supported. The Department will continue to host weekly workgroup meetings to review and update existing policies and procedures as necessary. The workgroup will also focus on improving the Department's ability to forecast and monitor the level of TANF MOE expenditures throughout the year. The Department's RDA Division is also taking actions to improve internal controls for ensuring the TANF quarterly reports are accurate and complete. Refer to finding 2017-020 for details.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number		Finding and Corrective Action Status
2017	019 (cont'd)		The conditions noted in this finding were previously reported in findings 2016-017 and 2015-020.
		Completion Date:	In progress
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	020	Finding:	The Department of Social and Health Services did not have adequate internal controls in place for ensuring the accuracy of submitted quarterly reports for the Temporary Assistance for Needy Families Grant.
		Questioned Costs:	<u>CFDA #</u> 93.558 — <u>Amount</u> $0
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with this finding. The Department currently has the following processes in place to ensure the accuracy and completeness of quarterly reports for the Temporary Assistance for Needy Families Grant (TANF): • Maintains extensive documentation on algorithms for deriving the items in the federal transmission, including specifications on tables and codes in the Automated Client Eligibility System and the Social Service Payment System, and how custom software uses these data to comply with reporting requirements. • Runs a quality assurance (QA) process to review codes and results for each report to identify potential fatal and warning edits. Supervisors review results to determine if warning edits require correction and to monitor any changes in trend that may indicate an issue in the process. • Disseminates summary data to multiple partners for review prior to submission of quarterly reports to ensure they are accurate and complete. • As of January 2017, implemented a quarterly QA process, which selects a random sample from the case level 199 TANF Data Report and 209 SSP-MOE Data Report and checks the case data against the source data systems for accuracy. Supervisors review a summary of the QA results to confirm the validity of the sampling method and results, and determine any necessary follow-up actions. • Documentation on the new QA process was submitted to the auditor on September 5, 2017, for review as part of the 2017 Single Audit. The Department is monitoring, reviewing, and testing coding changes. While no version control software is used, staff maintain systematic copies of all code versions using filename conventions, duplicating most of the functionality of version control software. Archived versions are used to identify potential problems. The Department is not aware of any audit standard that requires version control software to be used by entities audited under the federal single audit. To improve internal controls to ensure accurate and complete reporting, the Department's Research and Data Analysis Division will: • Continue to perform quarterly QA testing using statistical sampling and document supervisor review of the sampling results. • Continue to update the written policies and procedures for this complex reporting process.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	020 (cont'd)		• Document current source code archiving processes. • Continue to research version control software packages or alternative methods to determine if they will be used. The conditions noted in this finding were previously reported in finding 2016-016.
		Completion Date:	Estimated December 2018
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Status</th></tr>
<tr><td>2017</td><td>021</td><td>Finding:</td><td>The Department of Social and Health Services did not have adequate internal controls in place for submitting quarterly and annual reports for the Temporary Assistance for Needy Families grant.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td>CFDA # 93.558 — Amount $0</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Department partially concurs with the finding.

In response to the prior year’s finding, the Department spent significant time and effort on updating policies and procedures to address the previously identified weaknesses in reporting of the Temporary Assistance for Needy Families (TANF) grant.

The Department created a work group comprised of staff from the Department’s Division of Finance and Financial Recovery, Community Services Division, and Research & Data Analysis Division.

As of February 2017, the Department:
• Developed manuals that outline the collaborative procedures among the three divisions in report preparation.
• Developed and adopted additional written procedures to strengthen internal controls to ensure federal reporting requirements are met.

Due to timing of the audit, the corrective actions implemented by the Department were not included in the fiscal year 2017 audit period.

As of April 2018, the Department:
• Developed a quarterly reporting schedule to review source documentation submitted by other state agencies’ activities and expenditures in addition to participating in weekly meetings.
• Developed Memorandums of Understanding (MOUs) with other state agencies prior to the start of the federal fiscal year. These MOUs gave the Department an opportunity to discuss current program operations, as well as allowable activities and expenditures, with the partnering agencies.
• Offered training and guidance to state agencies on expenditures and TANF maintenance of effort report preparation.
• Retained all supporting documentation electronically and in field offices for review.

The Department will continue to improve internal controls and ensure policies and procedures are sufficient.

By September 2018, the Department will initiate discussions and seek appropriate guidance regarding establishing procedures and controls for verifying expenditures reported by other state agencies.</td></tr>
</table>

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	021 (cont'd)		The conditions noted in this finding were previously reported in findings 2016-018 and 2015-021.
		Completion Date:	Estimated September 2018
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	022	Finding:	The Department of Social and Health Services did not report fraud affecting multiple federal programs to grantors.
		Questioned Costs:	CFDA # / Amount 93.558 $0 93.575 93.596
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. By August 2018, the Department will review guidance published by U.S. Department of Health and Human Services on the requirement for self-disclosing instances of fraud affecting federal awards. This information will be used in developing procedures to ensure the Department meets reporting requirements. By October 2018, the Department will convene a workgroup to develop and implement sufficient procedures to ensure the Department reports, in writing, instances of fraud affecting grand awards. . By November 2018, the Department will develop and provide training to staff regarding federal fraud reporting requirements.
		Completion Date:	Estimated November 2018
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	023	Finding:	The Department of Social and Health Services improperly charged payroll costs to the Child Support Enforcement Grant.
		Questioned Costs:	CFDA # 93.563 — Amount $29,194
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. Department policy requires employees who do not spend 100 percent of their time on a specific grant to complete time sheets for allocating payroll and benefits cost proportionately to the proper funding sources. In state fiscal year 2017, the Department changed the cost allocation methodology inadvertently charging payroll and benefits to the Child Support Enforcement Grant. Upon discovery, the Department immediately took action to make correction to the allocation methodology. As of December 2017, the Department updated procedures to reflect the correct allocation methodology and communicated the changes to staff. As of February 2018, journal vouchers were processed to correct the accounting transactions and resulting cost allocation for state fiscal year 2017. If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.
		Completion Date:	In progress
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Early Learning — Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	024	Finding:	The Department of Early Learning did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.
		Questioned Costs:	CFDA #: 93.575, 93.596 — Amount: $8,814
		Status:	Corrective action in progress
		Corrective Action:	The Department of Early Learning (Department) and the Department of Social and Health Services (DSHS) continue to make consistent progress in actively auditing and recovering overpayments.

To address the auditors' recommendations, the Department has taken the following actions:

- Began auditing providers based on month of payment rather than month of service in an effort to improve the timeliness of audit reviews.
- Modified the Child Care and Development Fund (CCDF) Plan to align with federal and state regulations for fiscal year 2019 to 2021.
- Improved internal controls and implemented preventative controls to assist in the detection of unallowable provider billings and reduce the risks of unallowable payments, including:
  - Recruited a Subsidy Policy Analyst tasked with monitoring program compliance with state and federal laws. The incumbent:
    - Works with DSHS to implement internal controls on eligibility determination and provider payments.
    - Assists with implementing system changes at DSHS to alert staff when household composition differs between systems.
    - Acts as the lead for corrective action plan implementation to address audit findings.
  - Implemented policies to include the Department's definition of intentional program violations and fraud, as well as the consequences for providers.
- Developed a risk-based approach to audit providers' billings and payments that includes selecting providers' billings in excess of licensed capacity and providers billing the limit of their authorizations.

The Department also continues to work with DSHS to:

- Improve frequency of communication between the departments.
- Clarify subsidy program rules and policies and modify current processes to align with the fiscal year 2019-2021 CCDF plan.
- Develop record keeping templates and improve training using provider feedback.

Department of Early Learning **Agency 357**

Fiscal Year	Finding Number		Finding and Corrective Action Status
2017	024 (cont'd)		• Coordinate the review of staff training, desk aids and communications, and jointly develop policies and procedures to ensure field staff understand and interpret eligibility policies correctly. • Address internal and external audit issues, and improve internal controls over client eligibility and directing payments to child care providers. • Collaborate through the Working Connection Childcare Reframe Workgroup and the Child Care Audit Committee on aligning and clarifying state rules and requirements with the reauthorization of the Child Care Development Fund grant. The Department reinstituted a quarterly meeting of the Departments' Quality Assurance staff to discuss issues identified in the quality assurance process. The Department will continue to: • Develop a standard consultation method to support providers in proper billing procedures when they bill incorrectly and incur an overpayment. • Use available data to identify high risk billing practices and follow the consultation and intentional program violation process. • Finalize the implementation of an electronic time and attendance reporting system for licensed providers by October 2018 and family, friend, and neighbor care by September 2019. This new system will electronically track daily attendance; enable accurate, real-time recording of child care attendance; and serve as data capture of subsidy child care usage. • Improve the reconciliation process by following Department policies, and ensure the policies meet all federal and state regulations when reviewing provider payments. • Request additional funding from the Legislature to replace the 40-year-old mainframe-based authorization and payment processing system, Social Services Payment System. The new payment system will be capable of providing a robust provider interface and creating a rules engine solution that validates authorizations with attendance and billing data. Once these projects are complete, the combined systems will be able to generate accurate invoices and payments to providers. The Department consults with the U.S. Department of Health and Human Services on audit findings. The audit resolution process includes conducting a case-by-case review and providing additional documentation as requested by the federal grantor when questioned costs are identified. The conditions noted in this finding were previously reported in findings 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12, and 8-13.
		Completion Date:	Estimated September 2019

Department of Early Learning — Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	024 (cont'd)	Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 Stefanie.niemela@dcyf.wa.gov

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	025	Finding: The Department of Early Learning did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program. Questioned Costs: CFDA # 93.575, 93.596 — Amount $1,855 Status: Corrective action in progress Corrective Action: The Department concurs with the finding. In response to the prior audit finding, the Department: • Implemented new monitoring and compliance policies and procedures to clarify: o Use of a full checklist every three years. o Criteria when a site visit is needed. o Allowable methods of compliance. • Provided training to licensing staff on the new policies and procedures. • Implemented a new electronic caseload management system, WA COMPASS, in June 2017. The new system: o Provides electronic reminders to licensing staff and supervisors. o Allows licensing staff to make timely updates, improve data integrity and streamline work processes. o Provides electronic tools for tracking the 10-day health and safety rechecks requirement due to its capability of automatically converting from an abbreviated checklist to a full checklist when specified criteria is met. • Provided training to licensing staff on the WA COMPASS system. • Established operational milestones, which are aligned with the IT functionality milestones, to provide support to staff in the transition process. Department expectations are communicated to staff in the weekly WA COMPASS updates. • Implemented a system of statewide blended caseloads with the goals of maintaining equitable caseloads at the state, regional, and unit levels. The new process has enabled the Department to ensure full compliance with federal and state requirements for monitoring licensing activities of child care providers and facilities. All licensors have received the required training and are able to monitor and license all three child care settings: family homes, centers and school age programs. The Department is also creating an objective enforcement system by weighing all licensing standards that connect licensing infractions with the level of risk to children. The Department will provide more information and clarity about the risk level of each standard and the consequences for violations, and ensure that enforcement of these rules is both timely and consistent.

Department of Early Learning **Agency 357**

Fiscal Year	Finding Number		Finding and Corrective Action Status
2017	025 (cont'd)		Currently, the Department of Social and Health Services (DSHS) requires a criminal background check to be completed as part of the provider approval process. DSHS requires this process to be completed before subsidy child care payment is authorized. With the implementation of the planned corrective actions, this process will be changing to ensure new providers are not approved to provide care until all required background checks have been completed. Additionally, the Department will: • Continue working on revising all licensing policies, procedures, and tasks to align with current state and federal rules and regulations. • Strive to respond to the demands of the Legislature and the needs of the provider community in aligning existing policies and procedures with the new Family Home and Child Care Center licensing rules in the Washington Administrative Code. • Re-prioritize resources resulting from time savings achieved by the new WA COMPASS system to managing higher caseloads and meeting additional state and federal licensing requirements. • Continue to provide training to staff on both the WA COMPASS system and new weighted licensing rules. The Department consults with the U.S. Department of Health and Human Services on audit findings. The audit resolution process includes conducting a case-by-case review and providing additional documentation as requested by the federal grantor when questioned costs are identified. The conditions noted in this finding were previously reported in findings 2016-022 and 2015-024.
		Completion Date:	Estimated October 2020
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 Stefanie.niemela@dcyf.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	026	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Child Care Development Fund.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.575 $7,386 93.596
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with this finding. The Department has been working on implementing major changes to improve internal controls over determining client eligibility for the Child Care Development Fund (CCDF) grant. Due to the timing of the prior audit, the Department did not have sufficient time to implement all corrective actions during the 2017 fiscal year audit. The Department thoroughly reviewed each of the 2017 audit exceptions which were grouped into three categories, and has the following comments: (1) Improper eligibility determinations The Department did not fully comply with eligibility determination requirements in 17 cases selected for audit testing. However: • Eight cases resulted from minor procedural errors that had no effect on the eligibility of the cases and the associated payments. • Seven cases resulted from benefit calculation errors that had no effect on eligibility determination. In those cases, a partial payment error occurred due to incorrect copayment or amount of care authorized. The Department will establish overpayments. • Two cases were the result of clients fraudulently reporting household composition at the time of application. The Department appropriately requested fraud investigators verify household composition, closed the cases, and established overpayments. (2) Inadequate supervisory reviews The Department partially concurs with this condition as described in the finding. Child care program policy, as established and maintained by the Department of Early Learning (DEL), does not require secondary review or approval when determining eligibility and authorizing benefits and payment. Nonetheless, the Department continues to employ the following internal controls to ensure child care subsidy payment authorizations are made correctly: • Supervisory review is required for payment requests that exceed certain parameters to determine eligibility and necessity. If approved, the payment with the authorization will be submitted to the Social Service Payment System.

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	026 (cont'd)	• As of July 2017, the Department added a monthly report which identifies authorizations that appear to be missing the required approvals. Administrative staff review the exceptions on this report to ensure payments are proper. This report has not only helped in quality management efforts, it has also confirmed that the majority of the cases have been processed appropriately. • For authorizations for high cost special needs rates, the request and supporting documentation are reviewed by a panel of staff from the Department and DEL before payments are made. • One percent of the child care caseloads are reviewed monthly. In addition, new staff have 100 percent of their work audited by lead workers, either pre or post-authorization, until they achieve proficiency. (3) Verification of state median income level The Department does not concur with the condition as described in the finding. In September 2016, U.S. Department of Health and Human Services, Children and Families Administration adopted 81 FR 67438 regarding 45CFR 98.21which states in part: *"Some Lead Agencies currently use "look back" and recoupment policies as part of eligibility re-determinations. These review a family's eligibility for the prior eligibility period to see if the family was ineligible during any portion of that time and recoup benefits for any period where the family had been ineligible. However, there is no Federal requirement for Lead Agencies to recoup CCDF overpayments, except in instances of fraud. We strongly discourage such policies as they may impose a financial burden on low income families that is counter to CCDF's long-term goal of promoting family economic stability. The Act affirmatively states an eligible child will be considered to meet all eligibility requirements for a minimum of 12 months regardless of increases in income (as long as income remains at or below 85 percent of SMI) or temporary changes in parental employment or participation in education and training. Therefore, there are very limited circumstances in which a child would not be considered eligible after an initial eligibility determination. We encourage Lead Agencies instead to focus program integrity efforts on the largest areas of risk to the program, which tend to be intentional violations and fraud involving multiple parties."* To align with federal intent, DEL is planning to adopt rules regarding temporary income level increases. In response to the prior audit finding, the Department has implemented actions to ensure authorizations for child care are adequately supported with verified documentation based on DEL policy and procedures and the CCDF state plan. Specifically, the Department:

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	026 (cont'd)	• Finalized the verification desk aid and posted it to the Desk Aid SharePoint site. • Reviewed, updated, and delivered systems navigation training for child care staff on the use of the Automated Client Eligibility System (ACES), Support Enforcement Management System (SEMS), and Electronics Jobs Automated System (eJAS) to confirm household composition and other eligibility criteria. • Automated the process for school-aged children in licensed care to have their authorization increased for July and August. The authorization will automatically revert to prior authorization at the start of a school year. • Adjusted the level of authorized care to 115 hours year-round for school-aged children in license-exempt family, friend, and neighbor care when the parent(s) are working 110 or more hours per month. To pay for additional hours of care needed by the school-aged child during school breaks or holidays, the provider can claim contingency hours on their invoice including summer months, with a maximum total of 230 hours during summer months. As of August 2016, DEL updated the State Plan to clarify verification requirements concerning work schedules and new employment to support more family-friendly approaches. In addition, the Department has been collaborating with DEL to update policies and procedures, and make system enhancements: • As of December 2017, revised the applicable Washington Administrative Code (WAC) to allow more flexibility when calculating and verifying household income by removing the requirement that clients provide three months of wage information. • Revised applicable WAC to standardize authorization amounts for families across all provider types, including: o Parents participating in approved activities full-time and part-time, o Traditional, non-traditional, and variable working schedules, o School age and non-school age children. • Implemented system changes to minimize the risk of inaccurate reporting of household composition which can potentially lead to incorrect eligibility determinations and overpayments. Staff can now identify discrepancies in household composition reported by clients between the Child Care Subsidy Program and other programs within the Department. As of March 2018, the Department : • Confirmed the exceptions identified by the auditors and established necessary overpayments. • Requires clients to attest single parent status under penalty of perjury. • Requires clients to supply third party verification when household composition cannot be verified by reviewing Department records and systems.

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	026 (cont'd)	• Implemented a child care process review panel by the Division of Program Integrity child care quality team. This system will be based on the highly successful and established model currently in use by another federal program. The Department expects the review program will result in the same rigor and attention to eligibility determinations for child care subsidies. It will also identify cases with a high risk for errors, and enable the Department to make informed decisions regarding pre-authorization reviews. As of April 2018, the Department: • Ensured the language for the updated WAC is in place, and finalized the related handbook changes and staff training. • Communicated expectations to staff regarding the training requirements. • Added seven of the 25 requested full-time employees to assist with staffing the business-process redesign and support the information technology initiatives needed to improve internal controls. By September 2018, the Department will implement a lead staff review of eligibility determinations that are not assigned through the automated workload assignment system. If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action. The conditions noted in this finding were previously reported in findings 2016-023, 2015-026, 2014-026, 2013-017, and 12-30. Completion Date: Estimated September 2018 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	027	Finding:	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to identify and detect fraud in the Child Care and Development Fund program.
		Questioned Costs:	CFDA # — Amount 93.575 — $0 93.596
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the audit finding. The Department has had a long-standing practice of managers assigning cases based off the priority level, starting with the highest priority cases. The Department maintains a goal of completing as many of the cases with the highest risk of fraud as staffing and workload allows. The Department's Office of Fraud and Accountability (OFA) agrees the fraud priority system does not include the cost of child care benefits, and a written policy did not exist for the priority scoring system. During state fiscal year 2017, a few of the highest risk fraud cases involving child care were not reviewed due to lack of sufficient staffing. As of December 2017, the Department had completed the processing of the majority of the highest risk fraud cases. As of February 2018, the OFA Director communicated a policy directive to staff to re-establish the required practice of giving top priority to reviewing cases with the highest level of risks. As of April 2018, the Department developed and implemented a process to include the child care benefit dollars at risk as a factor when determining the priority of fraud referral. The conditions noted in this finding were previously reported in findings 2016-020 and 2015-025.
		Completion Date:	In progress
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	028	Finding:	The Department of Social and Health Services improperly charged $1,544 to the federal foster care grant.
		Questioned Costs:	CFDA # 93.658 — Amount $1,544
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. To address the audit recommendations, the Department will: • Strengthen the review process to ensure services are authorized prior to making payments. • Communicate with field staff to emphasize the importance of reviewing proper documentation when making invoice payments to vendors. • Work with the grantor to discuss any necessary repayment of the known questioned costs.
		Completion Date:	Estimated August 2018
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	029	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with payment rate setting and application requirements for the Foster Care program.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.658 $293
		Status:	Corrective action complete
		Corrective Action:	The Department concurs with the finding. During the 2017 fiscal year audit, the Department did not have a policy defining the frequency of a periodic review of foster care payment rates. As of February 2018, the Department updated its Operations Policy Manual specifying the methodology and review frequency of the basic maintenance payment rates. The reviews will occur every four years beginning in 2019. If an increase is necessary, the Department will submit a decision package for additional funding. The Department has also: • Amended the Title IV-E Plan and submitted to the U.S. Department of Health and Human Services (HHS) Administration of Children and Families. • Clarified policy that when a child is placed with a family residing and licensed in another state, the current rate of the applicable state will be paid. If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action. The conditions noted in this finding were previously reported in finding 2016-024, 2015-028, and 2014-027.
		Completion Date:	February 2018
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	030	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal level of effort requirements for the Adoption Assistance program.
		Questioned Costs:	CFDA # 93.659 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	Due to timing of the completion of the prior audit, the Department did not have sufficient time to make the required changes to the Agency Financial Reporting System, the state's accounting system, before the fiscal year 2017 audit period closed. As of October 2017, the Department: • Established new coding structure in the case management system, FAMLINK, to track state-funded spending. • Implemented written procedures on how to: o Reconcile the fiscal year maintenance of effort (MOE) amount to the amount reported by the Department. o Maintain adequate documentation to support the MOE calculations and that expenditures are used only for allowable purposes. As of January 2018, the Department also developed written policies and procedures specifying how the adoption assistance saving amount will be determined. To ensure amounts reported to the federal grantor are accurate, financial information is extracted from FAMLINK to the Children's Administration Adoption Savings Calculation and Reporting Workbook. The amounts will be reviewed and certified before reporting to the grantor. As of February 2018, the Department sent the newly developed policies and procedures documenting implemented internal controls to the Administration of Children and Families for review. The conditions noted in this finding were previously reported in finding 2016-026.
		Completion Date:	In progress
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

State Health Care Authority Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	031	Finding:	The Health Care Authority did not perform semi-annual data sharing with health insurers as required by state law.
		Questioned Costs:	CFDA # / Amount 93.775 $0 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Authority does not concur with the finding. This finding is based on a specific data exchange method which most insurance carriers have chosen not to participate in and which the Authority has no legal authority to enforce. The auditor recommended the Authority seek and obtain the legal authority through legislation. However, it is not within the Authority's scope of responsibilities to regulate insurance companies. Currently, several other methods of data sharing are regularly employed to achieve the goal of identifying third party liability. The Authority is preparing to request legislation that modifies the specific method and timing of data exchange with insurance carriers. In June 2018, the auditor submitted this finding to the appropriate committees of the legislature in accordance with the requirements of the amended RCW 43.09.312 when the auditor determines that the audited agency has not made substantial progress in remediating its noncompliance. The Authority anticipates the finding will be resolved through the request legislation and/or the decision of the legislative committees regarding resolution. The conditions noted in this finding were previously reported in findings 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19 and 08-25.
		Completion Date:	Estimated June 2019
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	032	Finding:	The Health Care Authority overpaid a tribe for Medicaid chemical dependency treatments.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $3,909,517 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Authority submits an annual State Plan to the Centers for Medicare and Medicaid Services (CMS) for approval. The plan includes tribal health care facilities that deliver health care services to Medicaid-eligible clients. In August 2017, the Auditor's Office published a whistleblower investigation (report number 1019566) that reported the Authority overpaid a tribe for chemical dependency treatments. Since the language in the State Plan is not conclusive and more than one tribe has challenged the conclusions in the whistleblower report, the Authority requested guidance from CMS in September 2017 on whether the payments identified in the audit report are overpayments. The Authority also requested an amendment to the State Plan to provide clear language that would prospectively preclude the primary type of findings published in the whistleblower investigation and that is consistent with language approved by CMS for other states' tribal health programs. CMS approved the requested amendment effective September 29, 2017. On January 29, 2018, CMS directed the Authority to Section 4320 of the State Medicaid Manual issued by the Health Care Financing Administration (predecessor agency to CMS). In particular, paragraph C of the Section states: "If a State elects to cover clinic services, it may choose the type of clinics or clinic services that are covered, provided that the services constitute medical or remedial care." In light of this CMS guidance and based on various mitigating factors, the Authority has determined that it would be inappropriate to seek recovery of payments based on the sole reason that service was rendered by a provider not listed in the State Plan which was in effect prior to the amendment in September 2017. If the U.S. Department of Health and Human Services determines the payments identified in the audit are in fact overpayments, the Authority will follow the normal audit resolution process to resolve the questioned costs.
		Completion Date:	In progress

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Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	032 (cont'd)	Agency Contact:	Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	033	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid medical providers were revalidated every five years and screening requirements were met.
		Questioned Costs:	CFDA # 93.775, 93.777, 93.778 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Authority is aware of the current situation with provider revalidation and is closely monitoring with routine reports. Currently, the Authority is working on a long-term solution by developing an automated process that will conduct all necessary data matches. The new process is expected to significantly reduce the amount of manual effort required and ensure provider revalidation is performed timely. Until the new automated process is fully implemented, the Department conducts other activities to mitigate the risk of paying ineligible providers. The Authority has prioritized revalidation work, and is making progress towards revalidation compliance. By March 2019, the Authority will be in compliance with this requirement, and will have notified providers who enrolled with the Authority prior to March 31, 2014, of the revalidation requirement. In addition, the Authority noted that federal regulations require providers to be re-categorized as high risk under very specific, limited circumstances. Currently, there are approximately two dozen providers, out of 98,000, that meet the specific criteria and require to be re-categorized as high risk. By March 2019, the Authority will: • Implement the process of re-categorizing high-risk providers. • Formally adjust the risk level of this group of providers. • Update procedures to include the new process. When the new fingerprint requirement is implemented, the Authority will conduct fingerprint-based criminal background checks on the providers identified under this re-categorization process. The conditions noted in this finding were previously reported in finding 2015-035, which the auditors determined as resolved.
		Completion Date:	Estimated March 2019

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Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	033 (cont'd)	Agency Contact:	Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

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Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	034	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid service verifications were performed for all eligible claims.
		Questioned Costs:	CFDA # / Amount 93.775 $0 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	To address the audit recommendations, the Department has taken the following actions: • As of May 2017, Medical Service Verifications (MSVs) were expanded in ProviderOne to include social service claims. • As of November 2017, a Service Level Agreement was signed with the Department of Social and Health Services (DSHS). The agreement detailed the roles and responsibilities of the Authority and DSHS for processing and investigating leads from MSVs. The Authority does not agree that the exclusion of nursing homes in the survey population is an indication of control deficiency. The Authority strategically excluded nursing homes in order to conduct targeted, risk-based verifications with high return rates. From a compliance standpoint, the Authority believes federal regulations allow flexibility for grantees to adopt a more effective approach. The Authority will continue to consult with the federal grantor to obtain clarification. As of March 2018, nursing homes are included in the universe of ProviderOne claims until definitive federal guidance is obtained. The conditions noted in this finding were previously reported in finding 2016-029, 2015-032, 2014-039, 13-031, 12-54, and 11-39. The auditors considered findings 2016-029 and 12-54 as resolved in fiscal year 2018. The other prior findings were previously resolved.
		Completion Date:	In progress
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	035	**Finding:** The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure it sought reimbursement for all eligible Medicaid outpatient prescription drug rebate claims. **Questioned Costs:** CFDA # 93.775, 93.777, 93.778 — Amount $23,955,658 **Status:** Corrective action in progress **Corrective Action:** The Authority disagrees, in most respect, with the Description of Condition, Cause of Condition, Effect of Condition and Questioned Costs, as stated in the finding. Details of the disagreements and concerns were outlined in the Authority's response to the finding. The following are exceptions identified by the auditors with which the Authority concurs and will take corrective actions: (1) Emergency medical eligibility This issue was limited to medical claims and affected 119 specific clients in the ProviderOne system. As of March 2018, the Authority started using a report that allows staff to preemptively identify these specific scenarios and make eligibility updates as appropriate. This review is performed on a weekly basis, which also allows the Authority to reprocess any affected claims prior to invoicing. (2) Procedure code configuration ProviderOne allows numerically sequential procedure codes with like requirements to be configured in ranges or 'groups.' However, unintended gaps were created in certain ranges during the process of uploading new and changed codes, which caused the National Drug Code (NDC) requirements on certain codes to be temporarily bypassed. In April 2018, the Authority corrected the drug rebate system errors by: • Removing the grouping configuration • Reviewing the current list of codes • Maintaining codes individually (3) Healthcare Common Procedure Coding System to NDC conversion errors This was a condition known to the Authority from prior audit findings. A ProviderOne change request has been initiated to add configurable fields to facilitate unit conversions on the more complex physician-administered drug claims. As of April 2018, this change was implemented.

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Fiscal Year	Finding Number		Finding and Corrective Action Status
2017	035 (cont'd)		In addition, the Authority will: • Contact the Centers for Medicare and Medicaid Services to fully explain the audit results and determine if the questioned costs identified by the audit should be repaid. • Initiate work to invoice drug manufacturers for rebates that should be requested. The conditions noted in this finding were previously reported in findings 2015-034 and 2014-031 for fee-for-service Medicaid claims, and 2016-032 for managed care Medicaid claims. The auditors considered finding 2015-034 as resolved in fiscal year 2018. The other prior finding was previously resolved.
		Completion Date:	Estimated October 2018
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority — Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	036	Finding:	The Health Care Authority overpaid Medicaid hospitals for outpatient services.
		Questioned Costs:	CFDA # / Amount 93.775 — $118,679 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Authority agrees that some claims were missed during the original mass adjustment of claims affected by incorrect Enhanced Ambulatory Patient Group (EAPG) weight assignment in the ProviderOne system. As of November 2017, the Authority identified all the missed claims and processed the majority of the adjustments. As of January 2018, the Authority completed the processing of the remaining two percent of the claims that did not get adjusted in November 2017. All corrections had been completed at that time and there were no outstanding questioned costs.
		Completion Date:	In progress
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority — Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	037	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $0 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	As of December 2016, the Authority began conducting monthly checks on Medicaid providers with the List of Excluded Individuals/Entities database. The Authority is not currently conducting monthly checks with the Excluded Parties List System (EPLS). The System Award Management (SAM) system, which replaced the EPLS in November 2012, only has the ability to look up a single individual. There is also a price associated with uploading more than one individual provider at a time. Due to the volume of providers and the resources it requires, it is not feasible for the Authority to conduct monthly EPLS checks on providers. However, the Authority was recently approved as a pilot state to utilize the U.S. Department of Treasury’s Do Not Pay database system. Once this process starts, the Authority will be able to upload the volume of providers into SAM/EPLS and conduct the required checks on a monthly basis. Although the Authority is not currently conducting SAM/EPLS database checks at the frequency required, there were no improper payments identified.
		Completion Date:	Estimated December 2018
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 <u>Lynda.Karseboom@hca.wa.gov</u>

State Health Care Authority Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	038	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid expenditures were allowable to claim Children's Health Insurance Program funds.
		Questioned Costs:	CFDA # / Amount 93.775 $1,945 93.777 93.778
		Status:	Corrective action not taken
		Corrective Action:	The Authority does not concur with the finding. The unallowable charges were the result of a system issue which was identified during the prior audit. The condition that led to the questioned costs identified in the 2017 fiscal year audit was corrected in July 2017. The Authority will consult with the grantor regarding the resolution of the questioned costs. The conditions noted in this finding were previously reported in findings 2016-034, 2015-039, and 2014-037. Finding 2014-037 was previously resolved.
		Completion Date:	July 2017
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	039	Finding:	The Health Care Authority made improper payments to Medicaid managed care recipients with Medicare insurance coverage.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $4,268,059 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	From March 2016 through June 2018, the Authority developed and ran an algorithm to identify and recoup duplicate Per Member Per Month (PMPM) premium payments for clients enrolled in Medicare. As of June 2018, the Authority implemented an enhancement to the ProviderOne payment system to automate recoupment of PMPM premiums for clients who are retro-enrolled in Medicare. The Authority will follow its normal finding resolution process with the U.S. Department of Health and Human Services regarding the resolution of questioned costs.
		Completion Date:	In progress
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority — Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	040	Finding:	The Health Care Authority made improper Medicaid pharmacy fee-for-service payments for clients enrolled in managed care.
		Questioned Costs:	<u>CFDA #</u> 93.775, 93.777, 93.778 — <u>Amount</u> $111,756
		Status:	Corrective action not taken
		Corrective Action:	The Authority does not concur with the finding. The pharmacy claims selected under this review were appropriately paid with the client being covered under the fee-for-service program at the time of claim submission and payment. The Authority does not recoup pharmacy payments for appropriately billed and paid services when the client's enrollment retroactively changes from fee-for-service to managed care. The Authority received informal guidance from Centers for Medicare and Medicaid Services (CMS) stating that this cost/benefit approach is appropriate. The Authority is requesting official guidance from CMS.
		Completion Date:	Not applicable
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority

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Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	041	Finding:	The Health Care Authority made improper Medicaid payments to Federally Qualified Health Centers.
		Questioned Costs:	CFDA # / Amount 93.775 $29,518 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Authority will initiate the overpayment recoupment process and work with the grantor in the resolution of the questioned costs. The conditions noted in this finding were previously reported in findings 2016-030, 2015-033, 2014-036, and 2013-026. Findings 2014-036 and 2013-026 were previously resolved.
		Completion Date:	Estimated March 2019
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	042	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure compliance with survey requirements for Medicaid intermediate care facilities.
		Questioned Costs:	CFDA # / Amount 93.775 $0 93.777 93.778
		Status:	Corrective action complete
		Corrective Action:	The Department concurs with the finding. The Department has an established a log to track the receipt of Plans of Correction (POCs). However, the tracking log indicated a 10-working day review period instead of five working days as specified in the Department's policies and procedures. As of January 2018, the Department: • Communicated to staff about the requirement of reviewing POCs within five working days after receipt. • Corrected the tracking log to specify a five-working day review requirement. The Department agrees a facility was non-compliant with a condition of participation and did not submit a POC. Prior to the audit finding, the Department's Intermediate Care Facilities for Individual with Intellectual Disabilities unit was operating with the understanding a POC was not required for condition level citations. Therefore, the Department's initial correspondence to the facility requested a Letter of Credible Allegation of Compliance (LCAC) and made the POC optional. As of December 2017, the Department: • Developed standard operating procedures for the review and approval process of POCs, including the requirement of a POC for all condition level non-compliances. • Ensured facilities that are non-compliant with conditions of participation submit POCs in addition to the LCAC. This requirement will be included in the correspondence sent with the Statement of Deficiencies. • Sent official communication to facilities by the Policy Manager to inform them of the change in requirement. As of January 2018, the Department: • Conducted a revisit survey to the out-of-compliance facility and found it did not meet some of the standard level regulations but determined it complied with the conditions of participation. The Department has since requested a POC from the facility for the

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	042 (cont'd)		issues identified. The Department has kept the Center for Medicare and Medicaid Services informed and has not received any notification to revoke the certification of this facility. • Revised the correspondence to facilities to clearly state the requirement of a POC when deficiencies are identified in surveys. • Communicated the updated requirement to all staff. The conditions noted in this finding were previously reported in findings 2016-037, 2015-045, and 2014-046.
		Completion Date:	December 2017
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	043	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure compliance with survey requirements for Medicaid nursing home facilities.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $0 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. As of April 2017, the Department implemented the federal electronic tracking application, called the Electronic Plan of Correction (ePOC), which enables the Department to monitor compliance more effectively. The system can electronically track and date-stamp the following: • Completion of Survey • Distribution of Statements of Deficiency (SOD) • Receipt of Plans of Corrections (POCs) from providers • Review of POCs by the Department • Approval of POCs by the Department By eliminating the mailing process through certified mail, the new system ensures nursing homes receive their SODs within 10 working days. The ePOC sends emails to provider staff regarding tracking updates. As of February 2018, the regional administrators and field managers conduct weekly meetings to identify SODs nearing the 10-day distribution requirement and POCs nearing their 5-day review requirement. The weekly communication also allows field managers to assess workload and inform regional administrators if any additional support is needed to meet requirements for distributions and reviews. The conditions noted in this finding were previous reported in findings 2016-036, 2015-044, and 2014-046.
		Completion Date:	In progress
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <u>Richard.meyer@dshs.wa.gov</u>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	044	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and was not compliant with requirements to ensure Medicaid payments to supported living providers were allowable.
		Questioned Costs:	CFDA # / Amount 93.775 / $2,922,088 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department does not concur with the finding. State law provides the Department the authority to authorize payments for individuals in community residential programs. The system is designed to allow supported living (SL) providers the resource flexibility needed throughout the year to meet the changing needs of the individual clients. The Department requires that clients receive all authorized Instruction and Support Services (ISS) hours over the course of the year. Providers are expected to provide hours in a flexible way within the year in order to address clients' individualized needs. SL providers are required to complete and certify annual cost reports, which reconcile hours and ISS dollars authorized to hours and ISS dollars provided. After reviewing cost reports, the Department establishes settlements when providers were paid for more direct service hours than they provided in a calendar year or when providers received more reimbursement (in dollars) for direct support costs compared with what was actually incurred during the year. Cost Reports The cost reports are not used to provide information to establish rates or allocate appropriate funds. Rather, rates are established through a rate setting process which includes a method to adjust for the sharing of service hours within households or clusters, and for needed supports that occur on an infrequent basis. All of these items are factored into calculating a daily rate for the individual client. The direct hours reported in the cost reports does not take into consideration the annual needs for support services, such as medical appointments and periodic essential shopping. The daily rates established through the rate setting process encompass these support hours. As such, looking at a snapshot of hours does not accurately reflect the cost of care provided. During the cost settlement process, the Department's rate analysts verify accuracy of the reports and request additional documentation for support when necessary. The Department works with the providers to address any issues prior to the filing of cost reports.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status

2017	044 (cont'd)	The Department will take the following actions:
		• By January 2019, provide training to providers to reinforce the requirement of maintaining adequate documentation to support ISS hours.
		• The Rate Unit will continue to:
		  o Review a targeted sample of provider records to evaluate whether supporting documentation is adequate.
		  o Complete desk audits throughout the year and work with providers when discrepancies are identified on payment rates or amounts.
		• Continue to perform review of provider payments using sampling procedures to verify accuracy of information submitted by providers and request additional supporting documents as needed.
		• Continue to improve monitoring protocol by establishing consistent activities for monitoring providers to ensure they comply with cost report instructions.
		
		Settlements
		The Department has the authority to reimburse the service provider for services delivered. Sometimes, overtime costs are necessary to adequately support clients, such as when:
		• The ISS cost exceeds the reimbursed rate.
		• A service provider has to fund the delivery of ISS by the use of overtime since there is an industry-wide staffing shortage.
		• High staff turnover and vacancy rate in the supported living industry necessitates the use of overtime.
		
		All ISS hours are documented initially in the cost report as delivered at the benchmark. During the cost settlement process, the Department can grant an exception to the benchmark rate for the hours purchased. The hours purchased at the higher benchmark may be adjusted for the total hours purchased.
		
		It is the Department's priority to ensure individual client assessed support needs are met, and the Department will continue to use its authority to consider provider circumstances, as necessary, when calculating appropriate settlement amounts. Current policy and monitoring activities will remain in place to ensure individual client assessed support needs are met.
		
		Cost of Care Adjustments
		By December 2018, the Department will provide training to reviewers of Cost of Care Adjustment requests to ensure they follow Department policies and procedures.
		
		Duplicate Payments
		By December 2018, the Department will work with the Health Care Authority to review the duplicate payments identified in this audit. If duplicate payments are confirmed, overpayments will be processed.
		.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	044 (cont'd)		By June 2019, the Department will consult with the U.S. Department of Health and Human Services regarding whether the questioned costs identified by the audit should be repaid. The conditions noted in this finding were previously reported in finding 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2014-043, 2013-036, 2013-038, and 12-39. The auditors considered finding 2016-041 and 2015-052 as resolved in fiscal year 2018. Findings 2014-041, 2014-043, and 2013-038 were previously resolved.
		Completion Date:	Estimated July 2019
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	045	Finding:	The Department of Social and Health Services, Aging and Long- Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client support plans were properly approved.
		Questioned Costs:	CFDA # / Amount 93.775 / $186,549 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department does not concur with this finding. Person centered service plans must be reviewed and revised upon reassessment of functional needs. This occurs at least every 12 months, when the individual's circumstances or needs change significantly, or at the request of the individual. However, a signed person-centered service plan is not necessary nor required by the Code of Federal Regulations, Washington’s state Medicaid plan, or the Washington Administrative Code to properly determine or establish a client’s eligibility to receive benefits. While the determination of eligibility and the development of the person-centered service plan may often take place during the same assessment visit with the client, completion of the two tasks are separate and distinct endeavors which are governed by different laws and requirements. The Department also notes that federal regulations provide latitude in obtaining consent in an alternate manner for those clients who are not able to provide a signature. The Department also disagrees with the auditors’ conclusion that the lack of signed service plans resulted in improper payments. The Department made payments to qualified providers for covered services which were delivered to eligible beneficiaries. The Department has performed a thorough analysis of the audit results and found that, in 18 out of 26 exceptions, documentation was maintained in client files indicating staff received a signed service plan from the client and sent it to the Aging and Long-Term Support Administration’s imaging hub. As of January 2018, the Department provided training to staff on the federal requirement to obtain signatures on service plans. In addition, as part of the established annual audit cycle, the Department has initiated a process to monitor staff compliance with federal and state requirements regarding tracking and documenting efforts to obtain signed service plans. As of June 2018, the Department issued a management bulletin to staff regarding signature requirements and outlining procedures for submitting signed service plans for imaging.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	045 (cont'd)		If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.
		Completion Date:	In progress
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	046	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client support plans were properly approved.
		Questioned Costs:	CFDA # / Amount 93.775 $215,082 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department does not concur with this finding. Person centered service plans must be reviewed and revised upon reassessment of functional needs. This occurs at least every 12 months, when the individual's circumstances or needs change significantly, or at the request of the individual. However, a signed person-centered service plan is not necessary nor required by the Code of Federal Regulations, Washington's state Medicaid plan, or the Washington Administrative Code to properly determine or establish a client's eligibility to receive benefits. While the determination of eligibility and the development of the person-centered service plan may often take place during the same assessment visit with the client, completion of the two tasks are separate and distinct endeavors which are governed by different laws and requirements. The Department also disagrees with the auditors' conclusion that the lack of signed service plans resulted in improper payments. The Department made payments to qualified providers for covered services which were delivered to eligible beneficiaries. As of March 2017, the Department provided training to staff on the federal requirement to obtain signatures on service plans. In addition, as part of the established annual audit cycle, the Department has initiated a process to monitor staff compliance with federal and state requirements regarding tracking and documenting efforts to obtain signed service plans. By October 2018, the Department will: • Provide staff training on procedures to document their efforts in obtaining signed service plans when a client is unable to sign. • Initiate a monthly monitoring process to ensure procedures are followed to track and monitor efforts to obtain signed service plans. Supervisors and the Department's Quality Compliance Coordinators will monitor to ensure compliance with federal and state requirements. The Department will work with the federal grantor to determine if any questioned costs are required to be repaid.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	046 (cont'd)		The conditions noted in this finding were previously reported in finding 2016-043.
		Completion Date:	Estimated October 2018
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services — Agency 300

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Status</th></tr>
<tr><td>2017</td><td>047</td><td>Finding:</td><td>The Department of Social and Health Services, Aging and Long-Term Support Administration made improper Medicaid nursing facility fee-for-service payments for clients enrolled in managed care.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
93.775 $6,991
93.777
93.778</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Department partially concurs with this finding.

The Department concurs that the two facilities reported in the finding either did not submit the required denial letter from the managed care organization (MCO) with their invoice or the submitted letters did not clearly convey a claim denial. However, the Department does not concur with the auditors' determination that these services would have been paid by the MCO or the Medicaid program has incurred duplicate payments. Therefore, the Department will not recover these payments identified by the auditor as unallowable.

At times, patients need to be admitted to nursing facilities who do not meet skilled or rehabilitative level of care, or patients' stays exceed their eligibility period. These stays are not eligible for managed care coverage and the Department is responsible for payment of these claims.

In support of the Department's mission and mandates, there are times when exceptions to the contract language must be made in order to maintain a patient's necessary care at a facility. When these exceptions are made, the Department communicates with both the MCO and the facility regarding the claims in question.

The Department and the Health Care Authority have been engaging in a continuous process improvement, which includes:
• Initiating multiple updates to contract language with MCOs to clarify the roles and responsibilities of the MCOs.
• Continuing to update the nursing facility billing guide to provide further clarification of the Department's policy.
• Issuing guidance via listserv messages to facilities, providing direct training, and coordinating with provider associations.

By September 2018, the Department will develop a policy to document when payment exceptions need to be made for clients to maintain residency at a facility and who will have the authority to make this decision.

If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</td></tr>
</table>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	047 (cont'd)	Completion Date:	Estimated September 2018
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	048	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Adult Family Home providers had proper background checks.
		Questioned Costs:	CFDA # / Amount 93.775 $98,399 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with this finding. The Department agrees that one background check was not renewed timely. As of November 2017, the Department implemented an internal reporting tool which alerts staff to send a reminder notice to a provider when the current background check of an employee is expiring in 60 days. If the provider does not complete the background check by the required due date, a complaint investigation will be initiated. The Department does not concur with the two exceptions regarding the missing national fingerprint background check for the two providers. The providers in question had both applied in 2011, which was prior to WAC 388-76-10165 becoming effective and requiring a fingerprint check. The Department also does not agree the findings should be tied to questioned costs. The auditors did not identify any providers who had a disqualifying crime or negative action. While the one Adult Family Home in question was out of compliance with the licensing requirements of WAC 388-76 by not having current background check results on file, and is therefore subject to corrective action and sanctions by the Department, the provider was not unqualified to provide Medicaid paid services. Thus, the payments to the provider were proper. Additionally, the Department is unable to comment or validate the auditor's statement of noncompliance with background check issues related to the Adult Family Home employees. The auditor had failed to provide any data to substantiate this part of the finding. By September 2018, the Department will consult with the U.S. Department of Health and Human Services regarding disagreement with the questioned costs. The conditions noted in this finding were previous reported in findings 2016-044, 2015-051, 2014-048, and 2013-037. The auditors considered finding 2013-037 as resolved in fiscal year 2018.
		Completion Date:	Estimated September 2018

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	048 (cont'd)	Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	049	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration did not ensure all Medicaid Community First Choice individual providers had proper fingerprint background checks.
		Questioned Costs:	CFDA # / Amount 93.775 $2,383 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with this finding. For the one individual provider that did not complete a fingerprint background check as state law requires, the Department terminated the provider effective March 2018. The Department will continue to follow established internal controls to materially ensure Community First Choice individual providers have proper background checks. If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action. The conditions noted in this finding were previous reported in findings 2016-040 and 2015-040, 2014-049, 2013-040, 12-41, and 11-34. The auditors considered finding 2016-040 and 11-34 as resolved in fiscal year 2018. Findings 2014-049, 2013-040, and 12-41 were previously resolved.
		Completion Date:	In progress
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	050	Finding:	The Department of Social and Health Services, Aging and Long-Term Care Administration and Developmental Disabilities Administration, made improper overtime payments to Medicaid individual providers.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $9,778 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department does not concur with the finding. The Department uses the Comprehensive Assessment Reporting Evaluation (CARE) tool, approved by the Centers for Medicare and Medicaid Services (CMS), to assess client needs and to allocate the number of hours of personal care and respite the client is eligible to receive. Payments were made to qualified providers for services the client was authorized to receive. All hours paid to the individual providers were allowable as no payments were made in excess of the CARE generated allowable hours. The Department's process complies with CMS's directive outlined in the information bulletin published by the U.S. Department of Health and Human Services in July 2014. The directive required that any processes developed by States must comply with the Fair Labor Standards Act (FLSA). The Department protects clients' access to eligible services and supports from a provider of their choice through their person-centered service plan. In addition, overtime costs paid under FLSA can be reimbursed as a reasonable cost related to the delivery of Medicaid services. The Department cannot prevent the provider from being paid more than their work week limit because labor law requires payment for all hours worked. Providers must therefore be allowed to claim and be paid for hours worked. However, the Department does follow the post-payment procedure outlined in WAC 388-114-0120 to address claims that exceed a provider's work week limit. With the passage of Engrossed Second Substitute House Bill 1725 (ESSHB 1725), the Legislature imposed work week limits on individual providers. The statute also directed the Department not to impose work week limits on individual providers until the Department conducted a review of the plan of care for the clients served by the individual provider. These reviews were not completed until July 2016, and five of the payments found by the auditors to be unallowable were made prior to this time.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number		Finding and Corrective Action Status
2017	050 (cont'd)		The rules adopted as a result of ESSHB 1725 have a mechanism for terminating individual providers if they repeatedly exceed their work week limit. Regardless of whether the individual provider exceeds their work week limit, payment for all hours worked is required. The Department adheres to specific actions before stopping a payment to an individual provider who works more than the work week limit. The restrictions imposed on the individual provider by these statutory limits and associated rules have no relation to the client's benefit, which is reflected as authorized hours. The Department also notes that the calculation of the questioned costs was incorrect. The provision of the hours themselves are not in question, only the payment of overtime for these hours. The cost of overtime is the difference between the individual provider's base rate of pay and one and a half times of the base rate. Therefore, questioned costs should be calculated only on the overtime cost. The Department will continue to: • Follow procedures to identify providers who have excess claims over the work week limit. • Issue necessary contract actions according to Department policy. If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.
		Completion Date:	In progress
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	051	Finding:	The Department of Social and Health Services charged payroll costs to the Disability Insurance/SSI Cluster that were not adequately supported.
		Questioned Costs:	CFDA # 96.001, 96.006 — Amount $557,743
		Status:	Corrective action complete
		Corrective Action:	The Department concurs with the finding. The Department acknowledges that payroll certifications for the period from October 2016 to March 2017 were not submitted in a timely manner as required by Department administrative policy. As of October 2017, the Department: • Obtained the required certifications for the employees identified in the audit exceptions. • Reviewed the certifications and reconciled to the actual costs incurred to ensure that all the positions were charged accurately to the applicable federal programs. The Department also enhanced the monitoring process to ensure compliance. As of November 2017, the fiscal manager created recurring calendar reminders of the semi-annual certification due dates for the fiscal unit and supervisor. The review conducted by the Department showed that the $557,743 questioned costs were indeed allowable, and therefore no adjusting entries were required. The Department will work with the U.S. Social Security Admininstration if they contact the Department regarding the repayment of questioned costs.
		Completion Date:	November 2017
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Military Department **Agency 245**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	052	Finding:	The Washington Military Department did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of Disaster Grants-Public Assistance received required audits.
		Questioned Costs:	CFDA # 97.036 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding, Although the Department has a decentralized system for subrecipient monitoring, the Finance Division maintains the Department's Audit Tracker system to monitor subrecipient audits across the Department and alert program managers of audit exceptions and non-compliance with federal requirements. The Disaster Grants-Public Assistance (DGPA) Program performs program monitoring activities. Upon receipt of an audit finding notification, the DGPA Program performs an extensive review of the finding and all subrecipients who received federal funding during the audit period to determine if any management decision letters are needed. However, due to extensive staff turnover in the Finance Division beginning in July 2016, the Audit Tracker system has not been monitored and updated. Department management was not made aware of the situation. As identified by the auditors, there were 163 subrecipients that received funding during fiscal years 2015 and 2016. During this period, there was a significant amount of activity due to five new disasters spanning from October 2015 to April 2017. Program monitoring continued during this time period. Despite not being formally documented in the Audit Tracker system, many elements of the monitoring process have in fact been accomplished and documented. The Department has initiated the following actions to address the internal control weaknesses identified in the audit: • Review and update the existing subrecipient monitoring policy to clearly outline roles and responsibilities for departments and grant programs. • Implement a quarterly internal control audit process performed by the Finance division to review and document subrecipient monitoring activities. • Ensure all subrecipients submit completed and signed audit certification forms as required by the Department's Contracts Office. • Review and keep informed of current regulations related to federal grant administration to ensure compliance with federal requirements.

Military Department **Agency 245**

Fiscal Year	Finding Number		Finding and Corrective Action Status
2017	052 (cont'd)		As of May 2018, the Department: • Completed a review of all open sub-recipient agreements and determined that there were no audit findings related to the DGPA Program and therefore, no management decisions were needed. • Created a workgroup to review and address audit recommendations. The workgroup determined that the monitoring process may require possible modification. • Assigned Funding Source Managers to perform independent monitoring to ensure subrecipients are receiving required audits and management decision letters are issued as needed. By August 2018, the workgroup will submit a proposal recommending proper alignment of subrecipient monitoring responsibilities between department administration and the Emergency Management Division. By September 2018, the Department will assess and determine appropriate staffing changes.
		Completion Date:	Estimated March 2019
		Agency Contact:	Rich Shimizu Deputy Finance Director Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-7596 Rich.shimizu@mil.wa.gov

State Health Care Authority — Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2016	031	Finding:	The Health Care Authority did not repay the federal government for improper payments made to Medicaid Managed Care Organizations.
		Questioned Costs:	CFDA # / Amount 93.775 $130,598 93.777 93.778
		Status:	Corrective action complete
		Corrective Action:	The Authority identified the duplicate premium payments reported by the auditors in this finding. As of April 2018, the Authority has recouped all the duplicate payments and has repaid the grantor through a credit reported on the CMS 64 Quarterly Expense Report.
		Completion Date:	April 2018
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority **Agency 107**

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Status</th></tr>
<tr><td>2016</td><td>033</td><td>Finding:</td><td>The Health Care Authority did not have adequate internal controls over its Medicaid inpatient hospital rate setting process and made overpayments to inpatient hospitals.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
93.775 $358,754
93.777
93.778</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Authority has implemented additional internal controls in the annual rate setting process to:
• Notify providers in accordance with agency policy.
• Verify the accuracy of calculated rates prior to communication.
• Perform post verification of system-loaded rates.

As of May 2018, the Authority amended WAC 182-55-3830 to eliminate the contradiction between it and WAC 182-550-3800.

The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>Estimated December 2018</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Lynda Karseboom
Audit & Accountability Manager
P.O. Box 45502
Olympia, WA 98504-5502
360-725-1228
<u>Lynda.Karseboom@hca.wa.gov</u></td></tr>
</table>

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2016	042	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration did not ensure two Medicaid Community First Choice in-home care providers had proper background checks.
		Questioned Costs:	CFDA # / Amount 93.775 $16,124 93.777 93.778
		Status:	Corrective action complete
		Corrective Action:	The Department concurs with the audit finding. The Department recognizes client safety as a top priority and will ensure background checks are completed as required. Employees are trained throughout the year and the Department has found training employees in the area of background checks has proven to be effective. The Department confirmed the two individual providers identified in the finding have completed and passed the background checks, including the fingerprint check for the one individual. By September 2018, the Department will implement a new system that will provide an automated solution to prevent and/or cancel active service authorizations to individual providers who fail to meet or comply with background check requirements. The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.
		Completion Date:	September 2018
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2016	046	Finding:	The Department of Social and Health Services did not accurately claim the federal share of Medicaid payments processed through the Social Service Payment System.
		Questioned Costs:	CFDA # 93.775, 93.777, 93.778 — Amount $106,055
		Status:	Corrective action complete
		Corrective Action:	The Department concurs with the audit finding. During the implementation and data conversion for Community First Choice, not all data converted correctly from the Social Service Payment System (SSPS). Due to accounting and staff workload related to the implementation of Provider One and Individual Provider One (IPOne), it took an unanticipated amount of time to obtain data reports from SSPS and to process corrections in the Agency Financial Reporting System, the state's accounting system. For cases where incorrect cost allocation social service codes were authorized by case managers resulting in incorrect federal matching rates, Department staff notified accounting when discovered and expenditures were subsequently corrected. Although this is normal business practice, the auditors included these transactions in the amount of questioned costs. As of March 2016, with the exception of some minor prior authorization corrections, services are no longer authorized in SSPS. With the implementation of Provider One and IPOne, additional controls are in place to limit the selection of service codes by case managers when authorizing services. The Department's Home and Community Services Quality Assurance Unit continues to monitor payment authorizations for compliance with requirements. As of October 2016, the questioned costs were returned to the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services.
		Completion Date:	October 2016
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2016	047	Finding:	Medicaid funds were overpaid to a supported living agency that contracted with the Department of Social and Health Services, Developmental Disabilities Administration.
		Questioned Costs:	CFDA # / Amount 93.775 $1,258,250 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with finding. The Department processed the payment notice to the Department's Office of Financial Recovery (OFR) in February 2017. Per federal rules, the Department is not required to refund the federal share of an overpayment made to a provider to the extent that the Department is unable to recover the overpayment because the provider has been determined bankrupt. The agency in question has filed for bankruptcy. The Department has submitted the required information to the bankruptcy court for the amount owed. The Department will work with OFR to follow the federal and state rules for financial recovery that pertains to bankruptcy proceedings. By December 2018, the Department will confirm with the U.S. Department of Health and Human Services that the funds do not need to be repaid.
		Completion Date:	Estimated December 2018
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2016	048	Finding:	The Department of Social and Health Services, Aging and Long-Term Care Administration, made improper Medicaid payments to individual providers.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $90,685 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the audit finding. The auditors used payment data to identify payments made to individual providers who claimed payment for personal care and mileage services on the same date of service that payment was made to a hospital or long-term care facility. The Department concurs that unallowable payments were made, but it is not known whether payments were incorrectly claimed by the individual providers, rather than the hospital or long term care facility. The audit work was performed during the first three months after the Department's new billing system, Individual ProviderOne (IPOne), went live. During this time, providers were experiencing a learning curve in using the new system, which may have contributed to incorrect claims made during this time period. Since the implementation of the IPOne system, internal controls have strengthened in processing payments to individual providers. It is now easier for the Department to discover incidents when providers are claiming hours for a time period in which a client is in a hospital, long-term care facility, or other institutional setting. By September 2018, the Department will develop a process to research and remediate occurrences of payments made for personal care and mileage services while a client was either hospitalized or admitted to a long-term care facility. By October 2018, the individual provider overpayment functionality in ProviderOne will be implemented. Once overpayments are completed, the Department will consult with the Department of Health and Human Services to discuss repaying of questioned costs.
		Completion Date:	Estimated January 2019
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <u>Richard.meyer@dshs.wa.gov</u>

Department of Social and Health Services Agency 300

Fiscal Year	Finding Number		Finding and Corrective Action Status
2016	049	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments made through the Social Service Payment System to individual providers were allowable.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $161,299 93.777 93.778
		Status:	Corrective action complete
		Corrective Action:	The Department partially concurs with this finding. The Department concurs that there were 48 payments not supported with timesheets or other documentation for hours worked or mileage claimed. However, the Department does not concur with all of the questioned costs associated with duplicate payments. To address the audit recommendations, the Department has taken the following corrective actions: • With the implementation of Individual ProviderOne system in March 2016, provider timesheets are now submitted electronically by providers as supporting documentation prior to payment. • As of June 2016, a portion of the duplicate payments were submitted for overpayments and were returned to the federal government. • As of January 2017, the Department’s Developmental Disabilities Administration started verifying providers’ services by phone calls to a random sample of clients each month. • As of May 2017, the new system automatically sends letters to a random sample of clients to verify services as part of the quality assurance review process. As of July 2017, overpayments were submitted to the Office of Financial Recovery for recoupment from individual providers. The Department has since repaid the U.S. Department of Health and Human Services.
		Completion Date:	July 2017
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2015	031	Finding:	The Health Care Authority did not collect application fees from prospective or re-enrolling Medicaid providers, resulting in non-compliance with Affordable Care Act provisions.
		Questioned Costs:	CFDA # / Amount 93.775 — $0 93.777 93.778 ARRA and non-ARRA
		Status:	Corrective action complete
		Corrective Action:	The Authority implemented a process for collecting provider application fees for institutional providers that are newly enrolled or re-enrolling Medicaid providers.
		Completion Date:	June 2016
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2015	037	Finding:	The Health Care Authority overpaid Medicaid providers for dental services.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $25,945 93.777 93.778 ARRA and non-ARRA
		Status:	Corrective action in progress
		Corrective Action:	The Authority has recouped the unallowable claims paid to dental providers. The Authority will follow its normal finding resolution process with the U.S. Department of Health and Human Services regarding the resolution of questioned costs. The conditions noted in this finding were previously reported in finding 2014-033 and 2013-027, and 12-53, which the auditors considered resolved.
		Completion Date:	In progress
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority | **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2015	038	Finding:	The Health Care Authority made improper Medicaid inpatient high outlier payments to hospitals.
		Questioned Costs:	CFDA # / Amount 93.775 — $33,205 93.777 93.778 ARRA and non-ARRA
		Status:	Corrective action complete
		Corrective Action:	As acknowledged by the auditors, the Authority corrected both WAC 182-550-3700 and the ProviderOne system in July 2014. The auditors tested claims with admission dates after July 1, 2014, and confirmed that those claims were paid correctly. The claims in question have admission dates prior to July 1, 2014; WAC and ProviderOne system changes cannot apply retroactively. The Authority will follow its normal finding resolution process with the U.S. Department of Health and Human Services regarding the resolution of questioned costs. The conditions noted in this finding were previously reported in finding 2014-032 and 2013-023, which the auditors determined to be resolved.
		Completion Date:	June 2014
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2015	041	Finding:	The Department of Social and Health Services improperly claimed federal reimbursement for payments made on behalf of deceased Medicaid clients.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $22,584 93.777 93.778 ARRA and non-ARRA
		Status:	Corrective action in progress
		Corrective Action:	This finding involved three administrations within the Department: the Aging and Long Term Support Administration (ALTSA), the Developmental Disabilities Administration, and the Behavioral Health Administration. Each administration has taken or will take corrective action. The audit identified 97 instances of payments made through the Social Service Payment System and ProviderOne for services provided after the client's date of death (ALTSA: 81; DDA: 8; BHA: 8). ALTSA has determined 20 of the 81 payments were for allowable services prior to the client's death. For the remaining 77 payments, the Department has sent overpayment notices to the providers. As of July 2018, the questioned costs were returned to the Center for Medicaid and Medicare Services. The Department's goal for payment of services provided after the date of death is zero, and it seeks to reach that mark. The following processes were implemented to strengthen controls: • Direct staff to follow policies and procedures to ensure authorization of services is closed by the effective date of death. • Generate a monthly Long Term Care Client Payments After Death Report that identifies clients who have authorizations paid after their date of death. • Perform post payment review to ensure that any authorizations or payments not identified by the monthly reports are captured and recovered. • Ensure overpayments are processed timely and funds returned to the federal grantor. • Continue partnership with the Health Care Authority to identify payments after the date of death. The conditions noted in this finding were previously reported in finding and 2014-050 which the auditors determined to be resolved.
		Completion Date:	In progress
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <u>Richard.meyer@dshs.wa.gov</u>

Workforce Training and Education Coordinating Board **Agency 354**

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2014	012	Finding:	The Workforce Training and Education Coordinating Board (Workforce Board) did not have adequate internal controls to ensure it meets federal level of effort requirements for the Career and Technical Education Grant.
		Questioned Costs:	CFDA # 84.048 — Amount $0
		Status:	Corrective action complete
		Corrective Action:	The Board, in coordination with its subrecipients, works to ensure that the maintenance of effort (MOE) requirements are met for the Career and Technical Education grant. The Board, however, has not implemented a process to monitor progress towards meeting these requirements throughout the year. To address the audit recommendations, the Board consulted with its subrecipients and developed a process of monitoring the MOE. As of January 2018, the Board has developed written policies and procedures documenting the monitoring process, which includes: • Reviewing subrecipients' billings to verify the level of expenditures. • Requiring subrecipients to report administrative MOE semi-annually. As of June 2018, the Board has incorporated the review of administrative MOE into the annual on-site monitoring review of its subrecipients. The Board will follow the new monitoring process in the upcoming on-site monitoring cycle.
		Completion Date:	June 2018
		Agency Contact:	Victoria DeBoer Chief Financial Officer PO Box 43105 Olympia, WA 98504-3105 (360) 709-4620 Victoria.DeBoer@wtb.wa.gov

State of Washington

Single Audit Report

For Fiscal Year Ended

June 30, 2018

Appendices

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Washington State Agency Codes (By Agency Alphabetically)
For the Fiscal Year Ended June 30, 2018

Agency No.	Agency
165	Accountancy, State Board of (ACB)
035	Actuary, Office of the State (OSA)
110	Administrative Hearings, Office of (OAH)
055	Administrative Office of the Courts (AOC)
119	African-American Affairs, Washington State Commission on (CAA)
495	Agriculture, Department of (AGR)
355	Archaeology and Historic Preservation, Department of (DAHP)
387	Arts Commission, Washington State (ART)
087	Asian-Pacific-American Affairs, Washington State Commission on (APA)
100	Attorney General, Office of the (ATG)
095	Auditor, Office of the State (SAO)
695	Bates Technical College (BATES)
627	Bellevue College (BC)
694	Bellingham Technical College (BTC)
629	Big Bend Community College (BBC)
315	Blind, Department of Services for the (DSB)
351	Blind, State School for the (SFB)
634	Cascadia College (CC)
101	Caseload Forecast Council (CFC)
375	Central Washington University (CWU)
632	Centralia College (CEC)
353	Childhood Deafness and Hearing Loss, Washington State Center for (CDHL)
057	Civil Legal Aid, Office of (OCLA)
635	Clark College (CLC)
696	Clover Park Technical College (CPTC)
639	Columbia Basin College (CBC)
460	Columbia River Gorge Commission (CRG)
103	Commerce, Department of (COM)
352	Community and Technical Colleges, State Board for (SBCTC)
699	Community and Technical College System (CTCS)
471	Conservation Commission, State (SCC)
163	Consolidated Technology Services (CTS)
310	Corrections, Department of (DOC)
406	County Road Administration Board (CRAB)
048	Court of Appeals (COA)
227	Criminal Justice Training Commission, Washington State (CJT)
357	Early Learning, Department of (DEL)
370	Eastern Washington University (EWU)
461	Ecology, Department of (ECY)
104	Economic and Revenue Forecast Council (ERFC)
106	Economic Development Finance Authority, Washington (EDA)
610	Edmonds Community College (EDC)
540	Employment Security Department (ES)
179	Enterprise Services, Department of (DES)
468	Environmental and Land Use Hearings Office (ELUHO)
605	Everett Community College (EVC)
102	Financial Institutions, Department of (DFI)
105	Financial Management, Office of (OFM)
477	Fish and Wildlife, Department of (DFW)
167	Forensic Investigations Council (FIC)
411	Freight Mobility Strategic Investment Board (FMSIB)
117	Gambling Commission, Washington State (GMB)
075	Governor, Office of the (GOV)
648	Grays Harbor College (GHC)
649	Green River College (GRC)
521	Hardwoods Commission (HRWD)
303	Health, Department of (DOH)
107	Health Care Authority, State (HCA)
599	Health Care Facilities Authority, Washington (WHCFA)
346	Higher Education Facilities Authority, Washington (WHEFA)
652	Highline College (HC)
118	Hispanic Affairs, Washington State Commission on (CHA)
395	Historical Society, Eastern Washington State (EWH)
390	Historical Society, Washington State (WHS)
185	Horse Racing Commission, Washington (HRC)
011	House of Representatives (REP)
148	Housing Finance Commission, Washington State (HFC)
120	Human Rights Commission (HUM)
086	Indian Affairs, Governor's Office of (INA)
190	Industrial Insurance Appeals, Board of (IND)
160	Insurance Commissioner, Office of the (INS)
126	Investment Board, State (SIB)
014	Joint Legislative Audit and Review Committee (JLARC)
038	Joint Legislative Systems Committee (JLS)
013	Joint Transportation Committee (JTC)

Washington State Agency Codes (By Agency Alphabetically)
For the Fiscal Year Ended June 30, 2018

Agency No.	Agency
050	Judicial Conduct, Commission on (CJC)
235	Labor and Industries, Department of (L&I)
692	Lake Washington Institute of Technology (LWIT)
341	Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board (LEOFF)
046	Law Library, State (LAW)
020	Legislative Evaluation and Accountability Program Committee (LEAP)
037	Legislative Support Services, Office of (LSS)
240	Licensing, Department of (DOL)
080	Lieutenant Governor, Office of the (LTG)
356	Life Sciences Discovery Fund Authority (LSDFA)
195	Liquor and Cannabis Board (LCB)
116	Lottery Commission, State (LOT)
657	Lower Columbia College (LCC)
412	Materials Management and Financing Authority, Washington (WMMFA)
245	Military Department (MIL)
147	Minority and Women's Business Enterprises, Office of (OMWBE)
490	Natural Resources, Department of (DNR)
662	Olympic College (OLC)
465	Parks and Recreation Commission, State (PARKS)
225	Patrol, Washington State (WSP)
665	Peninsula College (PEC)
637	Pierce College (PIE)
205	Pilotage Commissioners, Board of (BPC)
462	Pollution Liability Insurance Program, Washington (PLI)
056	Public Defense, Office of (OPD)
082	Public Disclosure Commission (PDC)
275	Public Employment Relations Commission (PERC)
350	Public Instruction, Superintendent of (SPI)
478	Puget Sound Partnership (PSP)
467	Recreation and Conservation Funding Board
091	Redistricting Commission (RDC)
693	Renton Technical College (RTC)
124	Retirement Systems, Department of (DRS)
140	Revenue, Department of (DOR)
099	Salaries for Elected Officials, Washington Citizens' Commission on (COS)
670	Seattle Community College - District 6 (SCCD-6)
085	Secretary of State, Office of the (SEC)

Agency No.	Agency
012	Senate (SEN)
672	Shoreline Community College (SHC)
674	Skagit Valley College (SVC)
300	Social and Health Services, Department of
675	South Puget Sound Community College (SPS)
676	Spokane Community Colleges - District 17 (SCCD-17)
040	Statute Law Committee (SLC)
340	Student Achievement Council (SAC)
045	Supreme Court (SUP)
678	Tacoma Community College (TCC)
142	Tax Appeals, Board of (BTA)
376	The Evergreen State College (TESC)
304	Tobacco Settlement Authority (TOB)
228	Traffic Safety Commission, Washington (STS)
405	Transportation, Department of (DOT)
410	Transportation Commission (TRC)
407	Transportation Improvement Board (TIB)
090	Treasurer, Office of the State (OST)
360	University of Washington (UW)
215	Utilities and Transportation Commission (UTC)
305	Veterans' Affairs, Department of (DVA)
220	Volunteer Firefighters and Reserve Officers, Board for (BVFFRO)
683	Walla Walla Community College (WLC)
359	Washington Charter School Commission (WCSC)
365	Washington State University (WSU)
686	Wenatchee Valley College (WVC)
380	Western Washington University (WWU)
621	Whatcom Community College (WHC)
354	Workforce Training and Education Coordinating Board (WFTECB)
691	Yakima Valley College (YVC)

Washington State Agency Codes (By Agency Assigned Number)
For the Fiscal Year Ended June 30, 2018

Agency No.	Agency
011	House of Representatives (REP)
012	Senate (SEN)
013	Joint Transportation Committee (JTC)
014	Joint Legislative Audit and Review Committee (JLARC)
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350	Public Instruction, Superintendent of (SPI)
351	Blind, State School for the (SFB)
352	Community and Technical Colleges, State Board for (SBCTC)
353	Childhood Deafness and Hearing Loss, Washington State Center for (CDHL)

Washington State Agency Codes (By Agency Assigned Number)
For the Fiscal Year Ended June 30, 2018

Agency No.	Agency
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355	Archaeology and Historic Preservation, Department of (DAHP)
356	Life Sciences Discovery Fund Authority (LSDFA)
357	Early Learning, Department of (DEL)
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360	University of Washington (UW)
365	Washington State University (WSU)
370	Eastern Washington University (EWU)
375	Central Washington University (CWU)
376	The Evergreen State College (TESC)
380	Western Washington University (WWU)
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395	Historical Society, Eastern Washington State (EWH)
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478	Puget Sound Partnership (PSP)
490	Natural Resources, Department of (DNR)
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610	Edmonds Community College (EDC)
621	Whatcom Community College (WHC)

Agency No.	Agency
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629	Big Bend Community College (BBC)
632	Centralia College (CEC)
634	Cascadia College (CC)
635	Clark College (CLC)
637	Pierce College (PIE)
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686	Wenatchee Valley College (WVC)
691	Yakima Valley College (YVC)
692	Lake Washington Institute of Technology (LWIT)
693	Renton Technical College (RTC)
694	Bellingham Technical College (BTC)
695	Bates Technical College (BATES)
696	Clover Park Technical College (CPTC)
699	Community and Technical College System (CTCS)

Community and Technical College Reporting

For the Fiscal Year Ended June 30, 2018

Agency 699 – Community and Technical College System is the administrative reporting agency for the following 30 community and technical colleges and the State Board for Community and Technical Colleges:

Bates Technical College
Bellevue College
Bellingham Technical College
Big Bend Community College
Cascadia College
Centralia College
Clark College
Clover Park Technical College
Columbia Basin College
Edmonds Community College
Everett Community College
Grays Harbor College
Green River College
Highline College
Lake Washington Institute of Technology
Lower Columbia College
Olympic College
Peninsula College
Pierce College
Renton Technical College
Seattle Community Colleges – District 6
Shoreline Community College
Skagit Valley College
South Puget Sound Community College
Spokane Community Colleges – District 17
Tacoma Community College
Walla Walla Community College
Wenatchee Valley College
Whatcom Community College
Yakima Valley College

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