

**STATE OF WASHINGTON**

**OFFICE OF FINANCIAL MANAGEMENT**

# **Single Audit Report**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**JULY 2006**



# Single Audit Report

For the Fiscal Year Ended June 30, 2005

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STATE OF WASHINGTON  
OFFICE OF FINANCIAL MANAGEMENT

*Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555*

July 21, 2006

Mr. John Fisher, Director  
National External Audit Review Center  
U.S. Department of Health and Human Services  
323 West 8<sup>th</sup> Street, Room 514  
Kansas City, MO 64105

Dear Mr. Fisher:

We are pleased to submit the state of Washington's nineteenth *Single Audit Report* and related reporting package for the fiscal year ended June 30, 2005.

This audit report complies with state and federal audit requirements, including the Revised Code of Washington (RCW) 43.09.310 and Title 31, Chapter 75, United States Code, as amended by the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

This document contains the following reports and schedules:

- Independent Auditor's Report on Basic Financial Statements
- Basic Financial Statements with Related Notes
- Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133
- Schedule of Findings and Questioned Costs
- Schedule of Expenditures of Federal Awards with Related Notes (includes Supplemental Information)
- 2005 Corrective Action Plan
- Summary Schedule of Prior Audit Findings for Years Prior to Fiscal Year 2005

Submission of this single audit was initially delayed due to late identification of a type A program, and an increase in the number of findings from the previous year. A sixty-day extension was requested and granted by your office for the federal filing of this audit. A second sixty-day extension was requested by the Washington State Auditor's Office to provide time for a quality control review of the results of this single audit. This request also was granted by your office. Copies of both extension approval letters are included in the Appendices.

Mr. John Fisher, Director  
July 21, 2006  
Page 2 of 2

The state's Basic Financial Statements are reproduced in this report, but the complete *Comprehensive Annual Financial Report* (CAFR) is available online at: <http://www.ofm.wa.gov/cafr/default.asp>.

We greatly appreciate the assistance we received from the State Auditor's Office, the U.S. Department of Health and Human Services, and other state and federal agencies in resolving single audit issues.

Respectfully submitted,



Victor A. Moore  
Director

cc: The Honorable Christine O. Gregoire  
Honorable Members, Washington State Legislature



**Washington State Auditor  
Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

December 20, 2005

The Honorable Christine Gregoire  
Governor, State of Washington

Dear Governor Gregoire:

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 fiscal year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the state's management. 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 and the Local Government Investment Pool, which represent 12 percent and 49 percent, respectively of the assets and revenues/additions of the aggregate discretely presented component units and remaining fund information. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department of Retirement Systems and the Local Government Investment Pool, is based upon their reports.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our report and the report of 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, 2005, and the respective changes

in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the State of Washington'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplementary information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

## Management's Discussion and 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, 2005. 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 of the state of Washington exceeded its liabilities by \$19.1 billion (reported as *net assets*). Of this amount, \$3.2 billion was reported as "unrestricted net assets." Unrestricted net assets represent the amount available to be used to meet the state's ongoing obligations to citizens and creditors.
- The state of Washington's governmental funds reported combined ending fund balances of \$9.1 billion, an increase of \$910 million in comparison with the prior year.
- Unreserved fund balance for the General Fund was \$865 million, or 4.9 percent of total General Fund expenditures.
- The state's capital assets increased by \$2.1 billion while total bond debt increased by \$792 million during the current fiscal year.

### 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 a 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.

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

The *Statement of Activities* presents information showing how the state's net assets changed during the most recent fiscal year. All changes in net assets 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, unemployment compensation and health insurance programs, as well as various higher education student services such as housing and dining.

The government-wide financial statements can be found on pages C-15 through C-19 of this report.

**Fund Financial Statements** - A *fund* is a grouping 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 *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

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 non-major funds. The state's major governmental funds are the General Fund, Higher Education Special Revenue Fund, and the Higher Education Endowment Permanent Fund. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The governmental fund financial statements can be found on pages C-21 through C-26 of 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, central stores, data processing services, and printing services. 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 non-major enterprise funds. The internal service funds are combined for presentation purposes. Individual fund data for the state's non-major proprietary funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages C-27 through C-30 of 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 statement 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.

The fiduciary fund financial statements can be found on pages C-31 through C-32 of 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 one major component unit, the Washington State Public Stadium Authority, and four non-major component units. Refer to Note 1 on page C-38 for more detailed information. Individual fund data for the state's non-major component units are provided in the form of combining statements elsewhere in this report.

The financial statements for the state's component units can be found on pages C-33 through C-34 of this report.

***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. The notes to the financial statements can be found on pages C-35 through C-110 of this report.

***Other required information.*** In addition to this discussion and analysis, this report also presents required supplementary information on budgetary comparisons, pension plan funding, and infrastructure assets reported using the modified approach. Required supplementary information can be found on pages C-111 through C-132 of this report.

The combining statements referred to earlier are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 147 through 210 of the *Comprehensive Annual Financial Report (CAFR)*.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the state of Washington, total assets exceed liabilities by \$19.1 billion at June 30, 2005 as compared to \$15.6 billion at June 30, 2004.

The largest portion of the state's net assets (48.1 percent for Fiscal Year 2005 as compared to 53.5 percent for Fiscal Year 2004) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), 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.

**State of Washington's Net Assets**

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 14,365	\$ 13,110	\$ 17,280	\$ 15,032	\$ 31,645	\$ 28,142
Capital assets	23,361	21,294	1,525	1,452	24,886	22,746
Total assets	<u>37,726</u>	<u>34,404</u>	<u>18,805</u>	<u>16,484</u>	<u>56,531</u>	<u>50,888</u>
Long-term liabilities outstanding	12,143	11,325	19,496	18,646	31,639	29,971
Other liabilities	3,744	3,432	2,091	1,891	5,835	5,323
Total Liabilities	<u>15,887</u>	<u>14,757</u>	<u>21,587</u>	<u>20,537</u>	<u>37,474</u>	<u>35,294</u>
Net assets:						
Invested in capital assets, net of related debt	8,655	7,817	510	522	9,165	8,339
Restricted	4,327	3,106	2,341	1,624	6,668	4,730
Unrestricted	8,857	8,723	(5,632)	(6,199)	3,225	2,524
Total net assets	<u>\$ 21,839</u>	<u>\$ 19,646</u>	<u>\$ (2,781)</u>	<u>\$ (4,053)</u>	<u>\$ 19,058</u>	<u>\$ 15,593</u>

A portion of the state of Washington's net assets (34.9 percent for Fiscal Year 2005 as compared to 30.3 percent for Fiscal Year 2004) represents resources that are subject to constitutional or external restrictions on how they may be used. The remaining balance of *unrestricted net assets* may be used to meet the state's ongoing obligations to citizens and creditors.

**State of Washington's Changes in Net Assets**

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 3,161	\$ 3,091	\$ 6,615	\$ 6,058	\$ 9,776	\$ 9,149
Grants and contributions	8,913	8,461	69	473	8,982	8,934
General revenues:						
Taxes	13,988	13,093	95	116	14,083	13,209
Interest and investment earnings	363	294	1,249	286	1,612	580
Total revenues	<u>26,425</u>	<u>24,939</u>	<u>8,028</u>	<u>6,933</u>	<u>34,453</u>	<u>31,872</u>
Expenses:						
General government	(925)	(918)	-	-	(925)	(918)
Education - K-12	(6,283)	(6,086)	-	-	(6,283)	(6,086)
Education - higher education	(4,455)	(4,216)	-	-	(4,455)	(4,216)
Human services	(9,852)	(9,348)	-	-	(9,852)	(9,348)
Adult corrections	(640)	(644)	-	-	(640)	(644)
Natural resources and recreation	(229)	(651)	-	-	(229)	(651)
Transportation	(1,457)	(1,310)	-	-	(1,457)	(1,310)
Intergovernmental grants	(335)	(329)	-	-	(335)	(329)
Interest on long-term debt	(505)	(478)	-	-	(505)	(478)
Workers' compensation	-	-	(2,407)	(2,389)	(2,407)	(2,389)
Unemployment compensation	-	-	(870)	(1,745)	(870)	(1,745)
Higher education student services	-	-	(1,170)	(1,130)	(1,170)	(1,130)
Health insurance programs	-	-	(1,138)	(1,044)	(1,138)	(1,044)
Other business-type activities	-	-	(988)	(951)	(988)	(951)
Total expenses	<u>(24,681)</u>	<u>(23,980)</u>	<u>(6,573)</u>	<u>(7,259)</u>	<u>(31,254)</u>	<u>(31,239)</u>
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	1,744	959	1,455	(326)	3,199	633
Contributions to endowments	69	46	-	-	69	46
Transfers	184	199	(184)	(199)	-	-
Increase (decrease) in net assets	1,997	1,204	1,271	(525)	3,268	679
Net assets - July 1, as restated*	<u>19,842</u>	<u>18,442</u>	<u>(4,052)</u>	<u>(3,528)</u>	<u>15,790</u>	<u>14,914</u>
Net assets - June 30	<u>\$ 21,839</u>	<u>\$ 19,646</u>	<u>\$ (2,781)</u>	<u>\$ (4,053)</u>	<u>\$ 19,058</u>	<u>\$ 15,593</u>

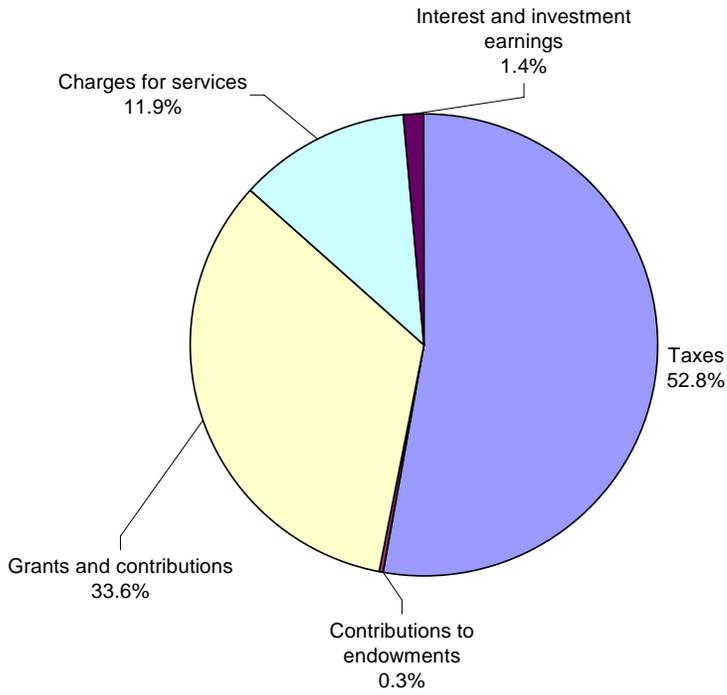
\*Note: Net assets as of July 1, 2004, have been restated to reflect fund-type reclassification and prior period error correction.

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.

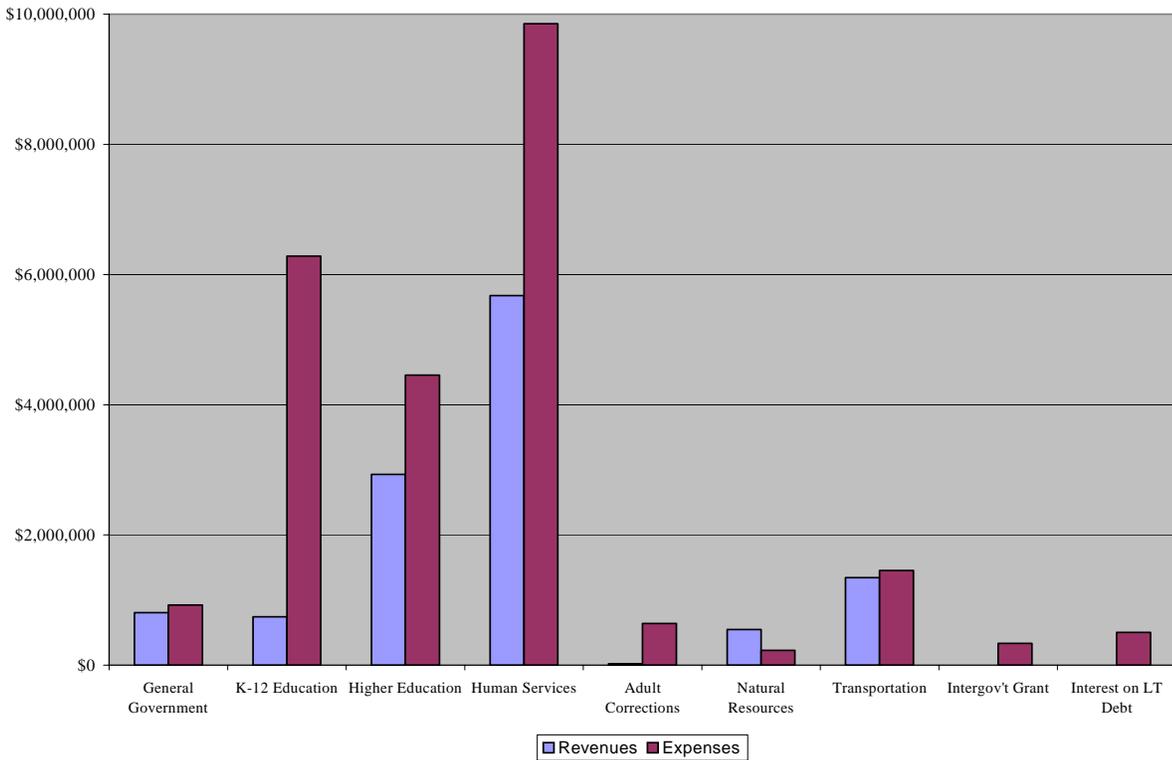
**Governmental activities.** Governmental activities resulted in a net increase in the state of Washington's net assets of \$2 billion. Key elements of this increase are as follows:

- Increases in tax revenues reflect strong economic and personal income growth during Fiscal Year 2005 as well as gains in employment.
- Increases in tax revenues also resulted from very strong growth in the housing sector that was attributable to low interest rates.
- A series of revenue enhancements initiated by the state in Fiscal Year 2004 continue to result in increases in taxes, as well as fines and penalties related to delinquent taxes.

### Revenues by Source – Governmental Activities



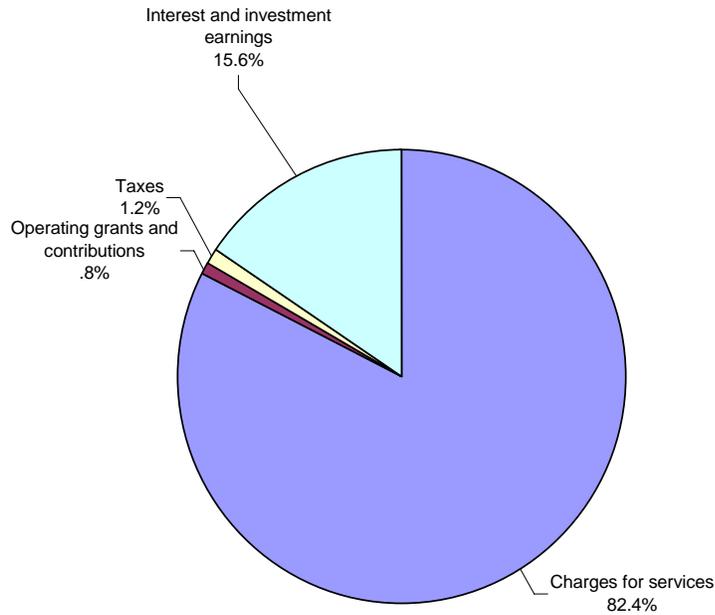
### Expenses and Program Revenues - Governmental Activities



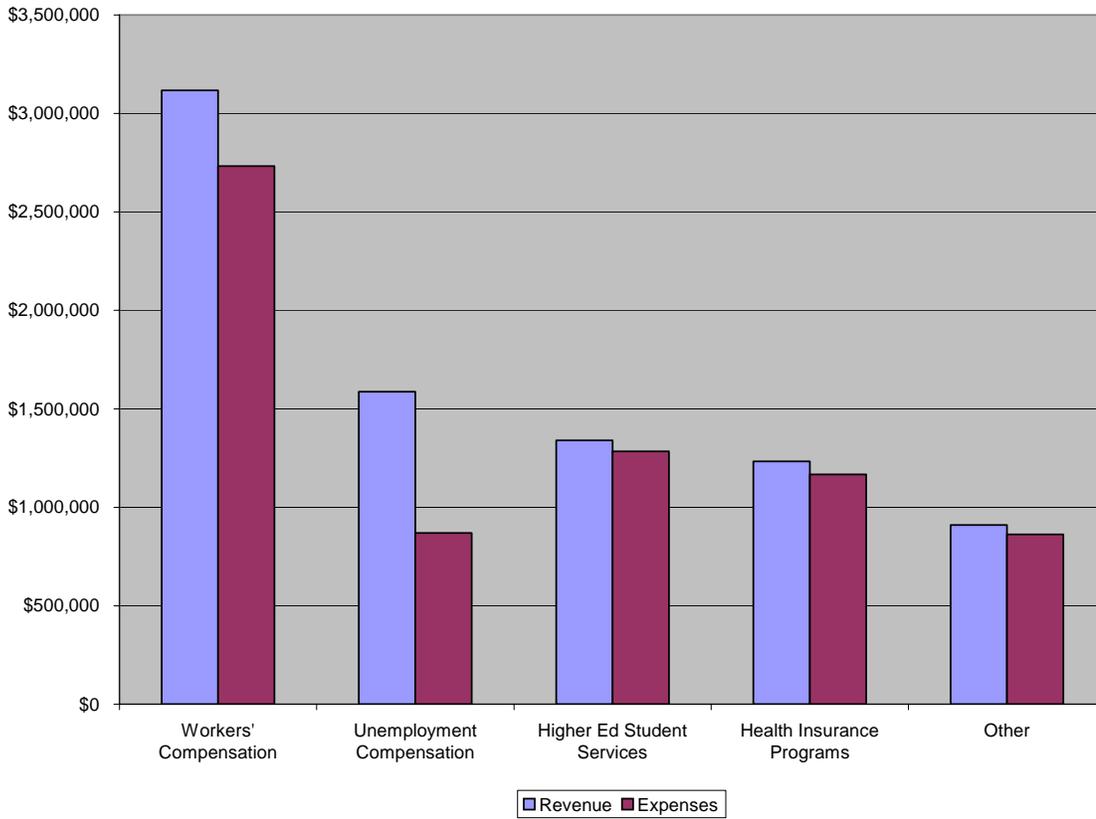
**Business-type activities.** Business-type activities increased the state of Washington's net assets by \$1.3 billion. Key factors contributing to this increase are:

- Earnings on investments increased by 77% in Fiscal Year 2005 compared to 2004. This increase is primarily due to higher interest rates and gains on investments.
- The state's economic recovery was reflected by a healthy reduction in unemployment. Expenditures for unemployment compensation benefits decreased by 50% in Fiscal Year 2005 compared to 2004.

### Revenues by Source – Business-type Activities



**Expenses and Program Revenues – Business-type Activities**



**Financial Analysis of the Government’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 discussed earlier, the focus of the state of Washington’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the state of Washington’s financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the state of Washington. At the end of the fiscal year, total fund balance for the General Fund equaled \$1.9 billion. Unreserved fund balance, the amount considered available to spend, totaled \$865 million. \$1 billion of the General Fund fund balance relates to certain accrued revenues and has been designated for working capital purposes. It is not considered available to spend.

The fund balance of the state of Washington’s General Fund increased by \$409 million during the current fiscal year.

**State of Washington's General Fund**

*(in millions of dollars)*

	Fiscal Year		Difference
	2005	2004	Increase (Decrease)
Revenues			
Taxes	\$ 11,988	\$ 11,225	\$ 763
Federal grants	6,012	5,917	95
Investment revenue	36	5	31
Other	508	463	45
Total	18,544	17,610	934
Expenditures			
Human services	9,519	8,989	530
Education	7,243	6,977	266
Other	970	914	56
Total	17,732	16,880	852
Net transfers in (out)	(418)	(587)	169
Other financing sources	15	5	10
Net increase (decrease) in fund balance	<u>\$ 409</u>	<u>\$ 148</u>	<u>\$ 261</u>

The state's recovery from recession combined with state revenue enhancements measures are reflected in increased tax revenue collection. Expenditure growth continues to be limited to services and programs most vital to citizens – primarily health care, public education and economic development.

In addition to the General Fund, the state reports the Higher Education Special Revenue and Higher Education Endowment Funds as major governmental funds. The fund balance for the Higher Education Endowment Fund increased by \$210 million, which was consistent with the prior year's growth.

Non-major governmental fund revenue increased by \$306 million in Fiscal Year 2005 compared with Fiscal Year 2004 primarily related to growth in tax revenues. This revenue increase resulted in an increase of fund balance of \$116 million.

**Proprietary Funds.** The state of Washington's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Workers' Compensation Fund, Unemployment Compensation Fund and Higher Education Student Services Fund are major proprietary funds. The Workers' Compensation Fund reported income of \$384 million in Fiscal Year 2005. While Workers' Compensation claims expenses continued to exceed assessment revenue resulting in an operating loss, a dramatic increase in interest earnings enabled the fund to report a positive change in net assets in Fiscal Year 2005. The Unemployment Compensation Fund reported income of \$717 million in Fiscal Year 2005 compared with an income of \$111 million in Fiscal Year 2004. This reflects the reduction in the state's unemployment rate. Activity for the various non-major proprietary funds resulted in an increase to net assets of \$115 million.

**General Fund Budgetary Highlights**

Differences between the General Fund original budget and the final amended budget reflect adjustments to deal with the changes in the state’s economy over the two-year period ended June 30, 2005. Over that two year period revenues were fairly static, and are summarized as follows:

- Estimated tax revenues increased \$39 million. This amount is the net of a decrease of \$240 million in Fiscal Year 2004, and an increase of \$279 in Fiscal Year 2005.
- Resources provided by transfers in from other funds increased by \$374 million.
- Estimated revenues from federal grants-in-aid increased by \$641 million over original estimates. However, actual revenues from federal grants were only \$95 million over the original estimates.
- Appropriated expenditures increased by \$1.1 billion. But, largely due to the failure to realize estimated federal grant revenues, actual appropriated expenditures were only \$710 million over original estimates.

**Capital Asset, Infrastructure, Bond Debt Administration, and Economic Factors**

*Capital assets.* The state of Washington’s investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$24.9 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings and equipment, as well as construction in progress.

Washington’s Fiscal Year 2005 investment in capital assets, net of current year depreciation, was \$2.1 billion, including increases to the state’s highway infrastructure of \$826 million and buildings of \$303 million. The state’s construction in progress includes both new construction and major improvements to state infrastructure and facilities including correctional facilities, ferry vessels and terminals, and buildings on the capitol and college and university campuses. Remaining commitments on these construction projects total \$2.3 billion.

Additional information on the state of Washington’s capital assets can be found in Note 6 beginning on page C-72 of this report.

**State of Washington's Capital Assets**  
(net of depreciation)  
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 1,207	\$ 1,184	\$ 87	\$ 101	\$ 1,294	\$ 1,285
Highway system infrastructure and other assets not depreciated	13,440	12,618	-	-	13,440	12,618
Buildings	4,737	4,501	1,166	1,099	5,903	5,600
Furnishings, equipment and collections	1,353	1,314	135	119	1,488	1,433
Other improvements and miscellaneous	1,373	695	53	46	1,426	741
Construction in progress	1,251	1,032	84	87	1,335	1,119
<b>Total</b>	<b>\$ 23,361</b>	<b>\$ 21,344</b>	<b>\$ 1,525</b>	<b>\$ 1,452</b>	<b>\$ 24,886</b>	<b>\$ 22,796</b>

*Infrastructure.* The state of Washington first reported infrastructure under the requirements of the Governmental Accounting Standards Board in Fiscal Year 2002. Transportation infrastructure reported includes the state highway system, emergency airfields and a short rail line. While the rail line is reported net of depreciation, the state highway system and emergency airfields are reported using the modified approach. Under the modified approach, rather than recording depreciation, asset condition is reported. The condition of these assets, along with their rating scales for pavements, bridges and airfields are further explained in the notes and required supplementary information to the financial statements.

The Department of Transportation accomplished a net addition of 33 lane miles and 6 bridges in Fiscal Year 2005. The state highway system and emergency airfields continue to meet established condition levels. No significant changes in condition levels were noted for pavements or bridges. Amounts spent during Fiscal Year 2005 to maintain/preserve these infrastructure assets were not significantly different from estimated spending plans according to the biennial budget.

Fiscal Year 2006 commitments made for ongoing infrastructure projects that extend beyond the Fiscal Year 2005 amount to \$892 million representing 549 projects.

**Bond debt.** At the end of Fiscal Year 2005, the state of Washington had general obligation bond debt outstanding of \$9.98 billion, an increase of 7 percent over Fiscal Year 2004. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized \$6.25 billion general obligation debt that remained unissued.

The state had revenue debt outstanding at June 30, 2005, of \$1.13 billion, an increase of \$114 million over Fiscal Year 2004. This increase is primarily related to revenue bonds issued by state colleges and universities. Revenue bond debt is secured by specific sources of revenue.

Three times during the year, the state issued general obligation debt, totaling \$1.52 billion for various capital and transportation projects as well as for refunding purposes. The state took advantage of the historically low interest rates that prevailed through Fiscal Year 2005 to refund outstanding bonds. This refunding will save taxpayers over \$39.8 million (net present value) in future interest payments. The state ranked 23rd in a list of the top 100 issuers ranked by amount financed by municipal issuers in calendar year 2004, according to The Bond Buyer's 2005 Yearbook.

### State of Washington's Bond Debt

*(in millions of dollars)*

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation (GO) bonds	\$ 9,842	\$ 9,173	\$ 138	\$ 155	\$ 9,980	\$ 9,328
Accreted interest on zero interest rate GO bonds	201	178	24	21	225	199
Revenue bonds	549	496	576	515	1,125	1,011
<b>Total</b>	<b>\$ 10,592</b>	<b>\$ 9,847</b>	<b>\$ 738</b>	<b>\$ 691</b>	<b>\$ 11,330</b>	<b>\$ 10,538</b>

The Washington State Constitution and the Revised Code of Washington limit the amount of general obligation (GO) debt that may be issued, the latter being the most restrictive. For the fiscal year ended June 30, 2005, the maximum GO debt authorized by statutory limit was \$7.04 billion. The debt capacity remaining was \$992.97 million. Specific bond issues and types that are not secured by general state revenues, such as motor fuel tax and reimbursable bonds, are excluded from the limitation.

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 chairman.

As of June 30, 2005, the state of Washington's general obligation debt was rated Aa1 (negative outlook) by Moody's Investor Service, AA (stable outlook) by Standard & Poor's Rating Group (S & P), and AA by Fitch Ratings.

Additional information on the state's bond debt obligations is presented in Note 7 beginning on page C-76 of this report. Additional information on the state's legal debt limit is presented in the statistical section beginning on page 224 of the CAFR.

### **Economic Factors and Next Year's Budgets and Rates**

- Washington's outlook for Fiscal Year 2006 is for a continuation in the strong economic growth. It reflects the impact of the long awaited recovery at both the state and national levels.
- Revenue growth in the General Fund is expected to be even stronger in the 2005-07 Biennium than in the previous biennium.
- Overall, personal income and employment are expected to continue to grow in Fiscal Year 2006.

Legislative leaders and management will consider these factors in preparing the state's budget for future years.

### **Requests for Information**

This financial report is designed to provide a general overview of the state of Washington's finances for all those with an interest in the government'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, PO Box 43113, Olympia, WA 98504-3113.

## **Basic Financial Statements**



## **Government-wide Financial Statements**



**State of Washington  
Statement of Net Assets**

June 30, 2005

(expressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and pooled investments	\$ 4,854,666	\$ 4,272,366	\$ 9,127,032	\$ 39,419
Taxes receivable (net of allowance)	2,647,232	4,841	2,652,073	-
Other receivables (net of allowance)	844,207	1,319,160	2,163,367	2,065
Internal balances (net)	(7,938)	7,938	-	-
Due from other governments	2,425,507	65,312	2,490,819	-
Inventories	82,150	77,593	159,743	-
Investments, noncurrent	3,387,938	11,401,658	14,789,596	26,005
Other assets	132,114	131,291	263,405	21,545
Capital assets (Note 6):				
Non-depreciable assets	15,897,768	171,249	16,069,017	34,677
Depreciable assets, net of depreciation	7,462,788	1,353,885	8,816,673	414,563
Total capital assets, net of depreciation	23,360,556	1,525,134	24,885,690	449,240
<b>Total Assets</b>	37,726,432	18,805,293	56,531,725	538,274
<b>LIABILITIES</b>				
Accounts payable	1,129,380	132,044	1,261,424	2,791
Contracts and retainage payable	93,172	31,993	125,165	2,342
Accrued liabilities	412,428	230,103	642,531	125
Obligations under securities lending	1,057,592	1,610,032	2,667,624	-
Due to other governments	539,986	42,739	582,725	-
Unearned revenue	511,735	44,214	555,949	767
Long-term liabilities (Note 7):				
Due within one year	749,335	1,854,262	2,603,597	-
Due in more than one year	11,393,539	17,641,257	29,034,796	37,000
<b>Total Liabilities</b>	15,887,167	21,586,644	37,473,811	43,025
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	8,654,757	510,264	9,165,021	409,898
Restricted for:				
Unemployment compensation	-	2,340,868	2,340,868	-
Other purposes	591,839	-	591,839	24,485
Capital projects	1,817,396	-	1,817,396	-
Expendable permanent fund principal	658,026	-	658,026	-
Nonexpendable permanent endowments	1,260,296	-	1,260,296	-
Unrestricted (deficit)	8,856,951	(5,632,483)	3,224,468	60,866
<b>Total Net Assets</b>	\$ 21,839,265	\$ (2,781,351)	\$ 19,057,914	\$ 495,249

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

**State of Washington  
Statement of Activities**

For the Fiscal Year Ended June 30, 2005  
(expressed in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 925,328	\$ 439,389	\$ 363,597	\$ 2,385
Education--elementary and secondary (K-12)	6,283,426	13,652	730,385	
Education--higher education	4,454,542	1,315,617	1,585,850	29,258
Human services	9,851,651	310,695	5,355,294	12,572
Adult corrections	639,745	10,677	3,458	7,836
Natural resources and recreation	229,105	385,262	135,787	26,937
Transportation	1,456,646	685,519	63,539	596,428
Intergovernmental grants	334,762	-	-	-
Interest on long-term debt	504,756	-	-	-
Total governmental activities	24,679,961	3,160,811	8,237,910	675,416
Business-type Activities:				
Workers' compensation	2,406,679	1,718,680	7,835	-
Unemployment compensation	870,453	1,457,967	52,377	-
Higher education student services	1,170,310	1,187,524	10,987	-
Health insurance programs	1,137,668	1,200,239	-	-
Other	987,676	1,050,177	-	(2,223)
Total business-type activities	6,572,786	6,614,587	71,199	(2,223)
Total Primary Government	\$ 31,252,747	\$ 9,775,398	\$ 8,309,109	\$ 673,193
Total Component Units	\$ 28,750	\$ 11,600	\$ 600	\$ 562

General revenues:

- Taxes - sales and use taxes
- Taxes - business and occupation taxes
- Taxes - property
- Taxes - 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 assets

Net assets -- beginning, as restated

Net assets -- ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (119,957)	\$ -	\$ (119,957)	
(5,539,389)	-	(5,539,389)	
(1,523,817)	-	(1,523,817)	
(4,173,090)	-	(4,173,090)	
(617,774)	-	(617,774)	
318,881	-	318,881	
(111,160)	-	(111,160)	
(334,762)	-	(334,762)	
(504,756)	-	(504,756)	
(12,605,824)	-	(12,605,824)	
-	(680,164)	(680,164)	
-	639,891	639,891	
-	28,201	28,201	
-	62,571	62,571	
-	60,278	60,278	
-	110,777	110,777	
(12,605,824)	110,777	(12,495,047)	
			\$ (15,988)
6,736,239	-	6,736,239	-
2,290,959	-	2,290,959	-
1,590,305	-	1,590,305	-
3,370,091	94,688	3,464,779	-
362,751	1,249,246	1,611,997	3,248
14,350,345	1,343,934	15,694,279	3,248
1,744,521	1,454,711	3,199,232	(12,740)
69,105	-	69,105	-
183,764	(183,764)	-	-
1,997,390	1,270,947	3,268,337	(12,740)
19,841,875	(4,052,298)	15,789,577	507,989
\$ 21,839,265	\$ (2,781,351)	\$ 19,057,914	\$ 495,249



## **Fund Financial Statements**



## GOVERNMENTAL FUNDS Balance Sheet

June 30, 2005

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
<b>Assets:</b>					
Cash and pooled investments	\$ 1,388,520	\$ 205,706	\$ 414,007	\$ 2,664,572	\$ 4,672,805
Investments	-	827,227	2,287,063	237,287	3,351,577
Taxes receivable (net of allowance)	2,539,239	-	-	107,993	2,647,232
Other receivables (net of allowance)	236,579	217,925	39,501	475,720	969,725
Due from other funds	191,050	109,480	14	279,671	580,215
Due from other governments	622,091	124,659	-	1,589,677	2,336,427
Inventories	20,082	8,996	-	32,918	61,996
<b>Total Assets</b>	<b>\$ 4,997,561</b>	<b>\$ 1,493,993</b>	<b>\$ 2,740,585</b>	<b>\$ 5,387,838</b>	<b>\$ 14,619,977</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 729,756	\$ 61,500	\$ 5	\$ 305,252	\$ 1,096,513
Contracts and retainages payable	16,576	545	2,099	73,388	92,608
Accrued liabilities	120,649	90,800	13,110	82,616	307,175
Obligations under security lending agreements	382,259	110,056	351,596	213,017	1,056,928
Due to other funds	562,325	76,236	2,050	258,677	899,288
Due to other governments	81,871	12,504	-	106,150	200,525
Deferred revenues	1,158,276	149,267	14,525	543,312	1,865,380
Claims and judgments payable	20,673	-	-	7,211	27,884
<b>Total Liabilities</b>	<b>3,072,385</b>	<b>500,908</b>	<b>383,385</b>	<b>1,589,623</b>	<b>5,546,301</b>
<b>Fund Balances:</b>					
Reserved for:					
Encumbrances	4,216	2,383	-	343,060	349,659
Inventories	15,605	8,996	-	32,918	57,519
Permanent funds	-	-	2,357,200	172,009	2,529,209
Other specific purposes	35,781	252,451	-	1,377,246	1,665,478
Unreserved, designated for, reported in:					
Working capital	1,004,131	-	-	-	1,004,131
Higher education	-	155,679	-	-	155,679
Special revenue funds	-	-	-	165	165
Debt service funds	-	-	-	177,961	177,961
Unreserved, undesignated	865,443	573,576	-	-	1,439,019
Unreserved, undesignated reported in:					
Special revenue funds	-	-	-	1,528,463	1,528,463
Capital project funds	-	-	-	166,393	166,393
<b>Total Fund Balances</b>	<b>1,925,176</b>	<b>993,085</b>	<b>2,357,200</b>	<b>3,798,215</b>	<b>9,073,676</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,997,561</b>	<b>\$ 1,493,993</b>	<b>\$ 2,740,585</b>	<b>\$ 5,387,838</b>	<b>\$ 14,619,977</b>

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

**State of Washington**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**

June 30, 2005  
(expressed in thousands)

Total fund balances for governmental funds		\$ 9,073,676
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Non-depreciable assets	\$ 15,855,266	
Depreciable assets, net of depreciation	7,149,391	
Total capital assets		23,004,657
<p>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 deferred in the funds.</p>		
		1,355,940
<p>Accrued current interest on general obligation bonds</p>		
		(193,349)
<p>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 assets.</p>		
		(51,759)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>		
Bonds and notes payable	(10,614,974)	
Accrued interest on bonds	(203,752)	
Claims and judgments	(92,053)	
Other obligations	(439,121)	
Total long-term liabilities	(11,349,900)	(11,349,900)
Net assets of governmental activities		\$ 21,839,265

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

## GOVERNMENTAL FUNDS

### Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2005  
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
<b>Revenues:</b>					
Retail sales and use taxes	\$ 6,674,434	\$ -	\$ -	\$ 61,805	\$ 6,736,239
Business and occupation taxes	2,227,926	-	-	63,033	2,290,959
Property taxes	1,394,793	-	-	195,512	1,590,305
Excise taxes	807,749	-	-	93,763	901,512
Motor vehicle and fuel taxes	-	-	-	930,975	930,975
Other taxes	882,925	-	-	647,915	1,530,840
Licenses, permits, and fees	78,973	511	-	627,240	706,724
Timber sales	3,097	-	12,688	154,987	170,772
Other contracts and grants	272,762	537,501	-	17,010	827,273
Federal grants-in-aid	6,011,964	1,048,309	-	949,819	8,010,092
Charges for services	48,214	1,108,273	-	439,268	1,595,755
Investment income (loss)	35,750	60,866	193,655	72,480	362,751
Miscellaneous revenue	105,226	157,028	2,566	422,659	687,479
Contribution and donations	-	-	69,105	-	69,105
<b>Total Revenues</b>	<b>18,543,813</b>	<b>2,912,488</b>	<b>278,014</b>	<b>4,676,466</b>	<b>26,410,781</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	552,382	-	-	381,525	933,907
Human services	9,518,818	-	-	967,062	10,485,880
Natural resources and recreation	271,090	-	-	432,974	704,064
Transportation	26,671	2,339	-	1,457,505	1,486,515
Education	7,243,096	2,751,789	88	543,746	10,538,719
<b>Intergovernmental</b>	<b>27,665</b>	<b>-</b>	<b>-</b>	<b>307,097</b>	<b>334,762</b>
<b>Capital outlays</b>	<b>78,121</b>	<b>113,404</b>	<b>-</b>	<b>1,549,752</b>	<b>1,741,277</b>
<b>Debt service:</b>					
Principal	12,363	13,109	-	435,358	460,830
Interest	2,262	6,119	-	488,699	497,080
<b>Total Expenditures</b>	<b>17,732,468</b>	<b>2,886,760</b>	<b>88</b>	<b>6,563,718</b>	<b>27,183,034</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>811,345</b>	<b>25,728</b>	<b>277,926</b>	<b>(1,887,252)</b>	<b>(772,253)</b>
<b>Other Financing Sources (Uses):</b>					
Bonds issued	-	2,918	-	1,141,700	1,144,618
Refunding bonds issued	-	-	-	439,399	439,399
Payment to refunded bond escrow agent	-	-	-	(462,495)	(462,495)
Notes issued	15,564	9,638	-	1,252	26,454
Bond issue premium (discount)	-	-	-	68,325	68,325
Capital lease acquisitions	-	75	-	-	75
Transfers in	524,365	182,266	3,883	2,060,851	2,771,365
Transfers (out)	(942,208)	(241,369)	(71,407)	(1,245,849)	(2,500,833)
<b>Total Other Financing Sources (Uses)</b>	<b>(402,279)</b>	<b>(46,472)</b>	<b>(67,524)</b>	<b>2,003,183</b>	<b>1,486,908</b>
<b>Net change in fund balances</b>	<b>409,066</b>	<b>(20,744)</b>	<b>210,402</b>	<b>115,931</b>	<b>714,655</b>
<b>Fund Balances - Beginning, as restated</b>	<b>1,516,110</b>	<b>1,013,829</b>	<b>2,146,798</b>	<b>3,682,284</b>	<b>8,359,021</b>
<b>Fund Balances - Ending</b>	<b>\$ 1,925,176</b>	<b>\$ 993,085</b>	<b>\$ 2,357,200</b>	<b>\$ 3,798,215</b>	<b>\$ 9,073,676</b>

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

**State of Washington  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities**

For the Fiscal Year Ended June 30, 2005  
 (expressed in thousands)

Net change in fund balances--total governmental funds	\$ 714,655
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. This is the amount by which capital outlays exceeded depreciation in the current period.	2,034,599
Bond proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the statement of net assets. Also, repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(756,113)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.	19,069
Because some revenues will not be collected for several months after the state's fiscal year end, they are not considered "available" revenues in the governmental funds. Deferred revenues increased by this amount this year.	(14,820)
Change in net assets of governmental activities	\$ 1,997,390

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

## PROPRIETARY FUNDS Statement of Fund Net Assets

June 30, 2005

(expressed in thousands)

	Business-Type Activities Enterprise Funds				Total	Governmental Activities
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds		Internal Service Funds
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and pooled investments	\$ 21,590	\$ 1,832,548	\$ 332,117	\$ 403,948	\$ 2,590,203	\$ 171,264
Investments	1,372,012	-	2,111	308,040	1,682,163	758
Taxes receivable (net of allowance)	-	-	-	4,841	4,841	-
Other receivables (net of allowance)	668,728	513,681	111,974	24,777	1,319,160	5,332
Due from other funds	1,210	2,552	49,728	42,223	95,713	72,660
Due from other governments	778	8,834	30,970	21,701	62,283	6,760
Inventories	181	-	31,298	46,114	77,593	20,152
Prepaid expenses	29	-	20,761	536	21,326	1,264
<b>Total Current Assets</b>	<b>2,064,528</b>	<b>2,357,615</b>	<b>578,959</b>	<b>852,180</b>	<b>5,853,282</b>	<b>278,190</b>
<b>Noncurrent Assets:</b>						
Investments, noncurrent	10,185,293	-	152,520	1,063,845	11,401,658	46,201
Other noncurrent assets	-	-	-	109,965	109,965	-
<b>Capital Assets:</b>						
Land	3,240	-	6,156	77,532	86,928	1,389
Buildings	62,441	-	1,181,790	394,483	1,638,714	63,806
Other improvements	1,020	-	31,491	12,602	45,113	21,452
Furnishings, equipment, and collections	50,927	-	250,853	62,892	364,672	601,113
Infrastructure	-	-	32,957	-	32,957	-
Accumulated depreciation	(30,212)	-	(586,149)	(111,210)	(727,571)	(372,974)
Construction in progress	-	-	84,073	248	84,321	41,113
<b>Total Noncurrent Assets</b>	<b>10,272,709</b>	<b>-</b>	<b>1,153,691</b>	<b>1,610,357</b>	<b>13,036,757</b>	<b>402,100</b>
<b>Total Assets</b>	<b>\$ 12,337,237</b>	<b>\$ 2,357,615</b>	<b>\$ 1,732,650</b>	<b>\$ 2,462,537</b>	<b>\$ 18,890,039</b>	<b>\$ 680,290</b>
<b>Liabilities</b>						
<b>Current Liabilities:</b>						
Accounts payable	\$ 8,831	\$ -	\$ 61,638	\$ 61,575	\$ 132,044	\$ 32,867
Contracts and retainages payable	2,119	-	7,415	22,459	31,993	499
Accrued liabilities	161,421	590	51,034	122,501	335,546	17,815
Obligations under security lending agreements	1,372,012	-	-	238,020	1,610,032	664
Bonds and notes payable	3,054	-	23,877	46,451	73,382	7,545
Due to other funds	6,934	1,043	39,166	61,716	108,859	20,214
Due to other governments	-	15,114	10	3,502	18,626	168
Unearned revenues	13,962	-	29,981	271	44,214	2,295
Claims and judgments payable	1,595,470	-	-	79,968	1,675,438	79,835
<b>Total Current Liabilities</b>	<b>3,163,803</b>	<b>16,747</b>	<b>213,121</b>	<b>636,463</b>	<b>4,030,134</b>	<b>161,902</b>
<b>Non-Current Liabilities:</b>						
Claims and judgments payable	15,683,425	-	-	2,403	15,685,828	464,491
Bonds and notes payable	36,832	-	622,746	274,496	934,074	84,511
Other long-term liabilities	11,257	-	8,919	1,001,178	1,021,354	21,145
<b>Total Non-Current Liabilities</b>	<b>15,731,514</b>	<b>-</b>	<b>631,665</b>	<b>1,278,077</b>	<b>17,641,256</b>	<b>570,147</b>
<b>Total Liabilities</b>	<b>18,895,317</b>	<b>16,747</b>	<b>844,786</b>	<b>1,914,540</b>	<b>21,671,390</b>	<b>732,049</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	47,530	-	321,591	141,143	510,264	263,844
Restricted for:						
Unemployment compensation	-	2,340,868	-	-	2,340,868	-
Unrestricted	(6,605,610)	-	566,273	406,854	(5,632,483)	(315,603)
<b>Total Net Assets (Deficit)</b>	<b>\$ (6,558,080)</b>	<b>\$ 2,340,868</b>	<b>\$ 887,864</b>	<b>\$ 547,997</b>	<b>\$ (2,781,351)</b>	<b>\$ (51,759)</b>

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

## PROPRIETARY FUNDS

### Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Fiscal Year Ended June 30, 2005  
(expressed in thousands)

	Business-Type Activities Enterprise Funds				Governmental Activities	
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Operating Revenues:</b>						
Sales	\$ -	\$ -	\$ 124,189	\$ 495,947	\$ 620,136	\$ 133,290
Less: Cost of goods sold	-	-	82,522	340,065	422,587	117,031
Gross profit	-	-	41,667	155,882	197,549	16,259
Charges for services	27	-	975,519	70,750	1,046,296	529,842
Premiums and assessments	1,689,490	1,444,307	-	1,200,214	4,334,011	71,706
Federal aid for unemployment insurance benefits	-	52,377	-	-	52,377	-
Lottery ticket proceeds	-	-	-	458,132	458,132	-
Miscellaneous revenue	31,549	13,660	84,517	5,868	135,594	39,730
<b>Total Operating Revenues</b>	<b>1,721,066</b>	<b>1,510,344</b>	<b>1,101,703</b>	<b>1,890,846</b>	<b>6,223,959</b>	<b>657,537</b>
<b>Operating Expenses:</b>						
Salaries and wages	111,995	-	460,340	79,066	651,401	225,483
Employee benefits	29,247	-	81,859	23,274	134,380	54,194
Personal services	4,586	-	14,712	18,480	37,778	16,380
Goods and services	66,145	-	412,737	108,398	587,280	275,577
Travel	3,180	-	15,900	1,728	20,808	3,640
Premiums and claims	2,165,729	870,453	548	1,126,099	4,162,829	23,130
Lottery prize payments	-	-	-	280,863	280,863	-
Depreciation and amortization	3,202	-	54,934	15,173	73,309	52,789
Miscellaneous expenses	20,364	-	11,897	44,709	76,970	1,065
<b>Total Operating Expenses</b>	<b>2,404,448</b>	<b>870,453</b>	<b>1,052,927</b>	<b>1,697,790</b>	<b>6,025,618</b>	<b>652,258</b>
<b>Operating Income (Loss)</b>	<b>(683,382)</b>	<b>639,891</b>	<b>48,776</b>	<b>193,056</b>	<b>198,341</b>	<b>5,279</b>
<b>Nonoperating Revenues (Expenses):</b>						
Earnings (loss) on investments	1,065,226	76,677	16,173	91,170	1,249,246	4,257
Interest expense	(2,231)	-	(34,861)	(47,036)	(84,128)	(5,034)
Distributions to other governments	-	-	-	(40,451)	(40,451)	-
Other revenue (expenses)	5,449	-	14,286	114,193	133,928	321
<b>Total Nonoperating Revenues (Expenses)</b>	<b>1,068,444</b>	<b>76,677</b>	<b>(4,402)</b>	<b>117,876</b>	<b>1,258,595</b>	<b>(456)</b>
<b>Income (Loss) Before Contributions and Transfers</b>						
<b>Contributions and Transfers</b>	<b>385,062</b>	<b>716,568</b>	<b>44,374</b>	<b>310,932</b>	<b>1,456,936</b>	<b>4,823</b>
Capital contributions (Return of capital contributions)	-	-	-	(2,223)	(2,223)	11,020
Transfers in	325,602	-	207,924	47,910	581,436	27,890
Transfers (out)	(326,724)	-	(196,685)	(241,793)	(765,202)	(24,664)
<b>Net Contributions and Transfers</b>	<b>(1,122)</b>	<b>-</b>	<b>11,239</b>	<b>(196,106)</b>	<b>(185,989)</b>	<b>14,246</b>
<b>Change in Net Assets</b>	<b>383,940</b>	<b>716,568</b>	<b>55,613</b>	<b>114,826</b>	<b>1,270,947</b>	<b>19,069</b>
<b>Net Assets (Deficit) - Beginning, as restated</b>	<b>(6,942,020)</b>	<b>1,624,300</b>	<b>832,251</b>	<b>433,171</b>	<b>(4,052,298)</b>	<b>(70,828)</b>
<b>Net Assets (Deficit) - Ending</b>	<b>\$ (6,558,080)</b>	<b>\$ 2,340,868</b>	<b>\$ 887,864</b>	<b>\$ 547,997</b>	<b>\$ (2,781,351)</b>	<b>\$ (51,759)</b>

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

**PROPRIETARY FUNDS**  
**Statement of Cash Flows**

Continued

For the Fiscal Year Ended June 30, 2005  
(expressed in thousands)

	Business-Type Activities				Total	Governmental
	Enterprise Funds					Internal
	Workers'	Unemployment	Higher Education	Nonmajor		Service
Compensation	Compensation	Student	Enterprise		Funds	
			Services	Funds		
<b>Cash Flows from Operating Activities:</b>						
Receipts from customers	\$ 1,607,624	\$ 1,425,626	\$ 1,108,901	\$ 2,204,084	\$ 6,346,235	\$ 720,697
Payments to suppliers	(1,526,994)	(854,723)	(577,731)	(1,827,221)	(4,786,669)	(438,447)
Payments to employees	(139,751)	-	(539,532)	(101,748)	(781,031)	(277,899)
Other receipts (payments)	31,549	58,870	84,518	5,863	180,800	39,234
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(27,572)</b>	<b>629,773</b>	<b>76,156</b>	<b>280,978</b>	<b>959,335</b>	<b>43,585</b>
<b>Cash Flows from Noncapital Financing Activities:</b>						
Transfers in	325,602	-	207,924	47,910	581,436	27,890
Transfers out	(326,724)	-	(196,685)	(241,793)	(765,202)	(24,664)
Operating grants and donations received	8,538	-	10,519	(6)	19,051	907
Taxes and license fees collected	5	-	-	114,254	114,259	-
Cash transfer related to a fund reclassification	-	(47)	-	-	(47)	-
Distributions to other governments	-	-	-	(40,451)	(40,451)	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>7,421</b>	<b>(47)</b>	<b>21,758</b>	<b>(120,086)</b>	<b>(90,954)</b>	<b>4,133</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Interest paid	(2,231)	-	(34,794)	(12,832)	(49,857)	(5,048)
Principal payments on long-term capital financing	(2,899)	-	(75,562)	(123,270)	(201,731)	(10,216)
Proceeds from long-term capital financing	-	-	112,078	118,596	230,674	50,629
Proceeds from sale of capital assets	-	-	53,568	8,286	61,854	7,051
Acquisitions of capital assets	(12,866)	-	(175,093)	(20,964)	(208,923)	(81,649)
<b>Net Cash or Pooled Investments Provided by (Used in) Capital and Related Financing Activities</b>	<b>(17,996)</b>	<b>-</b>	<b>(119,803)</b>	<b>(30,184)</b>	<b>(167,983)</b>	<b>(39,233)</b>
<b>Cash Flows from Investing Activities:</b>						
Receipt of interest	616,531	76,677	16,009	28,515	737,732	4,265
Proceeds from sale of investment securities	(7,046,684)	-	44,347	372,381	(6,629,956)	(8,319)
Purchases of investment securities	6,463,338	-	(48,785)	(455,173)	5,959,380	1,538
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>33,185</b>	<b>76,677</b>	<b>11,571</b>	<b>(54,277)</b>	<b>67,156</b>	<b>(2,516)</b>
<b>Net Increase (Decrease) in Cash and Pooled Investments</b>	<b>(4,962)</b>	<b>706,403</b>	<b>(10,318)</b>	<b>76,431</b>	<b>767,554</b>	<b>5,969</b>
Cash and Pooled Investments, July 1	26,552	1,126,145	342,435	327,517	1,822,649	165,295
<b>Cash and Pooled Investments, June 30</b>	<b>\$ 21,590</b>	<b>\$ 1,832,548</b>	<b>\$ 332,117</b>	<b>\$ 403,948</b>	<b>\$ 2,590,203</b>	<b>\$ 171,264</b>
<b>Cash Flows from Operating Activities:</b>						
Operating Income (Loss)	\$ (683,382)	\$ 639,891	\$ 48,776	\$ 193,056	\$ 198,341	\$ 5,279
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:</b>						
Depreciation	3,202	-	54,934	15,173	73,309	52,789
Provision for uncollectible accounts	19,597	-	2,191	11	21,799	22
Other non-cash items	-	-	-	-	0	-
<b>Change in Assets: Decrease (Increase)</b>						
Receivables (net of allowance)	(82,308)	(25,847)	9,830	(21,145)	(119,470)	(15,195)
Inventories	(4)	-	801	(3,628)	(2,831)	96
Prepaid expenses	(28)	-	(15,448)	244	(15,232)	509
<b>Change in Liabilities: Increase (Decrease)</b>						
Payables	715,351	15,729	(24,928)	97,267	803,419	85
<b>Net Cash or Cash Equivalents Provided by (Used in) Operating Activities</b>	<b>\$ (27,572)</b>	<b>\$ 629,773</b>	<b>\$ 76,156</b>	<b>\$ 280,978</b>	<b>\$ 959,335</b>	<b>\$ 43,585</b>

**PROPRIETARY FUNDS**  
**Statement of Cash Flows**

Concluded

For the Fiscal Year Ended June 30, 2005  
(expressed in thousands)

	<b>Business-Type Activities</b>				<b>Total</b>	<b>Governmental</b>
	<b>Enterprise Funds</b>					<b>Activities</b>
	Workers'	Unemployment	Higher Education	Nonmajor		Internal
Compensation	Compensation	Student	Enterprise		Service	
		Services	Funds		Funds	
<b>Noncash Investing, Capital and Financing Activities:</b>						
Contributions of capital assets	\$ -	\$ -	\$ -	\$ 2,223	\$ 2,223	\$ 11,020
Amortization of long-term lotto prize liability	-	-	-	31,220	31,220	-
Increase (decrease) in fair value of investments	437,168	-	3	22,552	459,723	(12)
Refunding bonds issued	-	-	85,910	-	85,910	-
Refunded bonds redeemed	-	-	(79,480)	-	(79,480)	-
Gain (loss) on refunding activity	-	-	83	-	83	-
Amortization of debt premium (issue costs/discount)	-	-	153	-	153	-
Accretion of interest on zero coupon bonds	-	-	-	3,092	3,092	-

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

## FIDUCIARY FUNDS Statement of Fiduciary Net Assets

June 30, 2005  
(expressed in thousands)

	Private- Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
<b>Assets:</b>				
Cash and pooled investments	\$ 17,523	\$ 3,312,778	\$ 50,641	\$ 262,240
Investments	-	1,296,448	-	1,980
Other receivables (net of allowance)	4,801	9,086	189,294	81,295
Due from other funds	337	-	26,284	375,857
Due from other governments	8	-	48,391	27,270
<b>Total Current Assets</b>	<b>22,669</b>	<b>4,618,312</b>	<b>314,610</b>	<b>748,642</b>
<b>Noncurrent Assets:</b>				
Investments, noncurrent	70,556	270,845	55,470,727	39,498
Other noncurrent assets	-	-	-	52,724
<b>Capital Assets:</b>				
Furnishings, equipment, and collections	86	-	-	-
Accumulated depreciation	(78)	-	-	-
<b>Total Noncurrent Assets</b>	<b>70,564</b>	<b>270,845</b>	<b>55,470,727</b>	<b>92,222</b>
<b>Total Assets</b>	<b>\$ 93,233</b>	<b>\$ 4,889,157</b>	<b>\$ 55,785,337</b>	<b>\$ 840,864</b>
<b>Liabilities:</b>				
Accounts payable	\$ 3,763	\$ -	\$ -	\$ 17,603
Contracts and retainages payable	-	-	-	18,263
Accrued liabilities	16,552	44,014	82,045	160,529
Obligations under security	-	80,900	4,376,381	26,497
Due to other funds	64	42	28,150	94,449
Due to other governments	-	-	-	461,735
Unearned revenues	-	-	847	-
Other long-term liabilities	70,579	-	-	61,788
<b>Total Liabilities</b>	<b>90,958</b>	<b>124,956</b>	<b>4,487,423</b>	<b>\$ 840,864</b>
<b>Net Assets:</b>				
Net assets held in trust for:				
Pension benefits	-	-	49,374,891	
Deferred compensation participants	-	-	1,923,023	
Local government pool participants	-	4,764,201	-	
Individuals, organizations & other governments	2,275	-	-	
<b>Total Net Assets</b>	<b>\$ 2,275</b>	<b>\$ 4,764,201</b>	<b>\$ 51,297,914</b>	

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

## FIDUCIARY FUNDS

### Statement of Changes in Fiduciary Net Assets

For the Fiscal Year Ended June 30, 2005  
(expressed in thousands)

	Private- Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
<b>Additions:</b>			
Contributions:			
Employers	\$ -	\$ -	\$ 184,098
Members	-	-	521,511
State	-	-	32,201
Pool participants	-	10,627,232	160,029
<b>Total Contributions</b>	-	10,627,232	897,839
Investment Income:			
Net appreciation (depreciation) in fair value	-	-	4,727,107
Interest and dividends	-	100,137	1,241,542
Less: Investment expenses	-	-	(113,322)
<b>Net Investment Income</b>	-	100,137	5,855,327
Other additions:			
Transfers from other pension plans	-	-	5,469
Transfers in	28,237	-	-
Other contracts, grants and miscellaneous	93,441	2	2,320
<b>Total other additions</b>	121,678	2	7,789
<b>Total Additions</b>	121,678	10,727,371	6,760,955
<b>Deductions:</b>			
Pension benefits	-	-	2,087,258
Pension refunds	-	-	126,280
Transfers to other pension plans	-	-	5,469
Transfers out	118,229	-	-
Administrative expenses	3,169	4,085	1,308
Distributions to pool participants	-	10,724,648	83,741
Payments to or on behalf of individuals, organizations and other governments in accordance with trust agreements	445	-	-
<b>Total Deductions</b>	121,843	10,728,733	2,304,056
<b>Net Increase (Decrease)</b>	(165)	(1,362)	4,456,899
<b>Net Assets - Beginning, as restated</b>	2,440	4,765,563	46,841,015
<b>Net Assets - Ending</b>	\$ 2,275	\$ 4,764,201	\$ 51,297,914

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

## COMPONENT UNITS Statement of Fund Net Assets

June 30, 2005  
(expressed in thousands)

	Public Stadium	Nonmajor Component Units	Total
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and pooled investments	\$ 4,409	\$ 3,971	\$ 8,380
Investments	-	31,039	31,039
Other receivables (net of allowance)	551	1,514	2,065
Prepaid expenses	32	227	259
<b>Total Current Assets</b>	<b>4,992</b>	<b>36,751</b>	<b>41,743</b>
<b>Noncurrent Assets:</b>			
Investments, noncurrent	23,886	2,119	26,005
Other noncurrent assets	-	21,286	21,286
<b>Capital Assets:</b>			
Land	34,677	-	34,677
Buildings	451,174	-	451,174
Furnishings and equipment	25,616	1,075	26,691
Accumulated depreciation	(62,458)	(844)	(63,302)
<b>Total Noncurrent Assets</b>	<b>472,895</b>	<b>23,636</b>	<b>496,531</b>
<b>Total Assets</b>	<b>\$ 477,887</b>	<b>\$ 60,387</b>	<b>\$ 538,274</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 694	\$ 2,097	\$ 2,791
Contracts and retainages payable	2,342	-	2,342
Accrued liabilities	41	84	125
Unearned revenues	-	767	767
<b>Total Current Liabilities</b>	<b>3,077</b>	<b>2,948</b>	<b>6,025</b>
<b>Non-Current Liabilities:</b>			
Other long-term liabilities	37,000	-	37,000
<b>Total Non-Current Liabilities</b>	<b>37,000</b>	<b>-</b>	<b>37,000</b>
<b>Total Liabilities</b>	<b>40,077</b>	<b>2,948</b>	<b>43,025</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	409,667	231	409,898
Restricted for deferred sales tax	23,885	-	23,885
Restricted for other purposes	-	600	600
Unrestricted	4,258	56,608	60,866
<b>Total Net Assets (Deficit)</b>	<b>\$ 437,810</b>	<b>\$ 57,439</b>	<b>\$ 495,249</b>

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

## COMPONENT UNITS

### Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Fiscal Year Ended June 30, 2005  
(expressed in thousands)

	Public Stadium	Nonmajor Component Units	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 882	\$ 10,718	\$ 11,600
<b>Total Operating Revenues</b>	882	10,718	11,600
<b>Operating Expenses:</b>			
Salaries and wages	350	3,893	4,243
Employee benefits	52	999	1,051
Personal services	109	628	737
Goods and services	278	2,607	2,885
Travel	3	24	27
Depreciation and amortization	18,558	111	18,669
Miscellaneous expenses	-	462	462
<b>Total Operating Expenses</b>	19,350	8,724	28,074
<b>Operating Income (Loss)</b>	(18,468)	1,994	(16,474)
<b>Nonoperating Revenues (Expenses):</b>			
Earnings (loss) on investments	2,285	963	3,248
Interest expense	-	(76)	(76)
Operating grants and contributions	-	600	600
Distributions of operating grants	-	(600)	(600)
<b>Total Nonoperating Revenues (Expenses)</b>	2,285	887	3,172
<b>Income(Loss) Before</b>			
<b>Contributions and Transfers</b>	(16,183)	2,881	(13,302)
Capital grants and contributions	562	-	562
<b>Total Contributions and Transfers</b>	562	-	562
<b>Change in Net Assets</b>	(15,621)	2,881	(12,740)
<b>Net Assets - Beginning</b>	453,431	54,558	507,989
<b>Net Assets - Ending</b>	\$ 437,810	\$ 57,439	\$ 495,249

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

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

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## 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 the accepted standard-setting body for establishing governmental accounting and financial reporting principles nationally. For government-wide and enterprise fund reporting, the state follows only those private-sector standards issued on or before November 30, 1989, unless those pronouncements conflict with or contradict the pronouncements of the GASB. Following is a summary of the significant accounting policies:

### A. Reporting Entity

In evaluating how to define the state of Washington, for financial reporting purposes, management has considered: all funds, organizations, institutions, agencies, departments, and offices that are legally part of the state (the primary government); organizations for which the state is financially accountable; and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete.

Financial accountability exists when the primary government appoints a voting majority of an organization's governing body and is able to impose its will on that organization or 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 may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or 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.

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, and

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 state 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 resides 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. Each college's governing board appoints a president to function as chief administrator. The state Legislature approves budgets and budget amendments for the colleges' appropriated funds, 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 are authorized to issue revenue bonds for construction of facilities for certain revenue generating activities such as housing, dining, and parking. 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 assets reside with the state. Colleges 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 are legally part of the state, their financial operations, including their blended component units, are reported in the primary government financial statements using the fund structure prescribed by GASB.

**RETIREMENT SYSTEMS** - The state of Washington, through the Department of Retirement Systems, administers seven 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 Judicial Retirement System, and the Judges' Retirement Fund. The director of the Department of Retirement Systems is appointed by the Governor.

There are two additional retirement systems administered outside of the Department of Retirement Systems. The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund is administered through the Board for Volunteer Fire Fighters, 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 state 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 nine of the aforementioned retirement systems are included in the primary government's financial statements.

**BLENDED COMPONENT UNIT**

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. The following entity is blended in the state's financial statements:

Tobacco Settlement Authority (TSA) – The TSA was created by the Washington State 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 to issue bonds to securitize a portion of the state's future tobacco settlement revenue in order to generate funds for increased costs of health care, long-term care, and other programs of the state. In November 2002, the TSA issued \$517 million in bonds and transferred \$450 million to the state in exchange for 29.2 percent of the state's tobacco settlement revenue stream for the estimated 17-year period that the bonds remain outstanding.

Financial reports for the TSA may be obtained from the authority at the following address:

Tobacco Settlement Authority  
1000 Second Avenue, Suite 2700  
Seattle, WA 98104-1046

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

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 state 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  
PO Box 40935  
Olympia, WA 98504-0935

Washington State Housing Finance Commission  
Washington Higher Education Facilities Authority  
Washington Economic Development Finance Authority  
1000 Second Avenue, Suite 2700  
Seattle, WA 98104-1046

The Washington State Public Stadium Authority (PSA) was created by the state Legislature to acquire, construct, own, and operate a football/soccer stadium, exhibition center, and parking garage. Construction was completed in 2002. PSA capital assets, net of accumulated depreciation, total \$449 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 defined 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  
 401 Second Avenue South, Suite 520  
 Seattle, WA 98104-0280

identifiable within a specific function or activity. Program revenues are identified using the following criteria:

**B. Government-wide and Fund Financial Statements**

**Government-wide Financial Statements**

The state presents two basic government-wide financial statements: the Statement of Net Assets 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 Assets** – The Statement of Net Assets presents the state’s non-fiduciary assets and liabilities. As a general rule, balances between governmental and business-type activities are eliminated.

Assets and liabilities are presented in a net assets format in order of liquidity. Net assets are classified into three categories:

- Invested in capital assets, net of related debt 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.
- Restricted net assets result when constraints are placed on net asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories.

**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

- 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 are also considered program revenues.

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 health insurance and 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 563 accounts that are combined into 58 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 grants and contracts received for research and other educational purposes. This fund also accounts for charges for services by state institutions of higher education.
- **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 funds.

**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 governmental and proprietary fund types within nonmajor funds:

**Nonmajor Governmental Funds:**

- **Special Revenue Funds** account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are legally restricted 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 non-interstate highway system; K-12 school construction; and construction and loan programs for local public works projects.
- **Debt Service Funds** account for the accumulation of resources for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities.
- **Capital Projects Funds** account for the acquisition, construction, or improvement of major capital facilities including higher education facilities.
- **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 health insurance program; the state lottery; state liquor stores; the guaranteed college tuition program; and the convention and trade center.
- **Internal Service Funds** account for the provision of legal, motor pool, data processing, risk management, and other services by one department or agency to other departments or agencies of the state on a cost-reimbursement basis.

The state reports the following 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 and defined contribution pension plans, and other employee benefit plans.
- **Investment Trust Fund** accounts for the external portion of the Local Government Investment Pool (LGIP), which is reported by the state as the sponsoring government.
- **Private-Purpose Trust Funds** are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments such as the administration of unclaimed property.
- **Agency Funds** account for resources held by the state in a custodial capacity for other governments, private organizations or individuals.

**Operating and Nonoperating Revenues and Expenses**

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

**Application of Restricted/Unrestricted Resources**

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.

**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 and current liabilities 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 collected 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 are recognized when received in cash. Revenues related to expenditure driven grant agreements are recognized when both the qualifying expenditures are made and the revenues are considered available. 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 one year.

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 collected within 60 days of the fiscal year end. The second half-year collections are recognized as receivables offset by deferred revenue. The lien date on property taxes is January 1 of the tax levy year.

Under modified accrual accounting, expenditures are recognized when the related liability is incurred. Exceptions to the general modified accrual expenditure recognition criteria include unmatured interest on general long-term obligations which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with available expendable financial resources.

The state reports deferred revenues on its governmental fund balance sheet under certain conditions. Deferred revenues arise when a potential revenue does not meet both the “measurable” and the “available” criteria for revenue recognition in the current period. Deferred revenues also 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 the incurrence of qualifying expenditures.

All proprietary and trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on their respective statements of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Net assets are presented as 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted.

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Cash and Investments**

Investments of surplus or pooled cash balances are reported on the accompanying Statements of Net Assets, Balance Sheets and Statements of Cash Flows as “Cash and Pooled Investments.” The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. As a result, the cash balances of funds with surplus pooled balances are not reduced for these investments. For reporting purposes, pooled cash is stated at fair value or amortized cost, which approximates fair value. For the purposes of the Statement of Cash Flows, the state considers cash and

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, to be cash equivalents.

The method of accounting for noncurrent investments varies depending upon the fund classification. Investments in the state's Local Government Investment Pool (LGIP), an external investment pool operated in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, are reported at amortized cost. 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, Washington 98504-0200, phone number (360) 902-9000 or TTY (360) 902-8963.

Long-term 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. Certain pension trust fund investments, including real estate and private equity, are valued based on appraisals or independent advisors. Additional disclosure describing investments is provided in Note 3.

**2. Receivables and Payables**

Receivables in the state's governmental funds 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 Assets, 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**

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 within an agency is estimated to be \$25,000 or more. Consumable inventories are generally valued at cost using the first-in,

first-out method. Donated consumable inventories are recorded at fair market value.

Merchandise inventories are generally valued at cost using the first-in, first-out method. All merchandise inventories are considered reportable for financial statement purposes.

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 reservation of fund balance indicating that they do not constitute "available spendable resources" except for \$4.5 million in federally donated consumable inventories, which are offset by deferred revenues because they do not constitute an "available" resource until consumed.

**4. Capital Assets**

Except as noted below, it is the state's policy to capitalize:

- all land;
- all additions and improvements to the state highway system;
- infrastructure, other than the state highway system, with a cost of \$100,000 or more;
- all other capital assets with a unit cost of \$5,000 or more.
- capital assets acquired by capital leases with a net present value or fair market value, whichever is less, of less than \$10,000 are not capitalized.

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. 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 are valued at their estimated fair market value on the date of donation, plus all appropriate ancillary costs. When the fair market value is not practically determinable due to lack of sufficient records, estimated cost is used. Where necessary, estimates of original cost and fair market 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 indirect costs that are related to the construction. In proprietary and trust funds, net interest costs (if material) incurred during the period of construction are capitalized.

Art collections, library reserve collections, and museum and historical collections, that are considered inexhaustible in that their value does not diminish over time, are not capitalized by the state 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 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
Infrastructure	20-50 years

The cost and related accumulated depreciation of capital assets retired from service, or disposed of, 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. 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, and
- 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 Assets. Depreciation expense related to capital assets is also reported in the

Statement of Activities. Capital assets and the related depreciation 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 acquired. No depreciation is reported.

### 5. Compensated Absences

State employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 30 days 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 60 days 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 unpaid compensated absences leave outstanding at June 30 with future resources rather than advance funding it with currently available expendable 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 Assets.

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, 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.

### 6. 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 Assets. Bonds payable are reported net of applicable original issuance premium or discount. When material, bond premiums, discounts, and issue costs 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. Original issuance premiums and discounts on debt issuance are also reported as other financing sources and uses respectively. Issue costs are reported as debt service expenditures.

**7. Fund Equity**

In the fund financial statements, governmental funds report the difference between fund assets and fund liabilities as “fund balance.” Reserved fund balance represents that portion of fund balance that is: (1) not available for appropriation or expenditure, and/or (2) legally segregated for a specific future use. Unreserved, designated fund balance indicates tentative plans for future use of financial resources. Unreserved, undesignated fund balance represents the amount available for appropriation.

In proprietary funds, fund equity is called net assets. Net assets is comprised of three components – invested in capital assets, net of related debt; restricted; and unrestricted.

**E. Other Information**

**1. General Budgetary Policies and Procedures**

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 schedules presented as Required Supplementary Information (RSI) are 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 schedules extremely cumbersome. Section 2400.121 of the GASB 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 2003-2005 Biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures, and estimated versus actual revenues and other financing sources (uses) for appropriated funds at agency and appropriation level are presented in Report CAF1054 for governmental funds. A copy of this report is available at the Office of Financial Management, 6639 Capitol Boulevard, PO Box 43113, Olympia, Washington 98504-3113. For additional budgetary information, refer to the notes to RSI.

**2. Insurance Activities**

Workers’ Compensation

Title 51 RCW establishes the state of Washington’s workers’ compensation program. The statute requires all applicable employers to insure payment of benefits for

job related injuries and diseases 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, disability, and pension payments to qualifying individuals sustaining work-related injuries. 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 cost-of-living adjustments (COLA) 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.

Premiums are based on individual employers’ reported payroll hours and insurance rates based on each employer’s risk classification(s) and past experience. In addition to its regular premium plans, the Workers’ Compensation Fund offers a retrospective premium rating plan under which premiums are adjusted annually for up to four years following the plan year based on individual employers’ loss experience. Initial adjustments to the standard premiums are paid to or collected from the employers approximately ten months after the end of each plan year.

The Workers’ Compensation Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). 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 liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic, legal, and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

### Risk Management

Washington State operates a risk management 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 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. A limited amount of commercial insurance is purchased for employee bonds and to limit the exposure to catastrophic losses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Otherwise, the risk management 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 risk management liability program in proportion to the anticipated exposure to liability losses.

### Health Insurance

The state of Washington administers and provides medical, dental, basic life, and long-term disability insurance coverage for eligible state employees. In addition, the state offers coverage to K-12 school districts, educational service districts, political subdivisions and employee organizations representing state civil service workers. The state establishes eligibility requirements and approves plan benefits of all participating health care organizations.

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, 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. Cost of coverage for non-state employees is paid by their respective employers. Most coverage is also available on a self-paid basis to eligible retirees, former employees, and employees who are temporarily not in pay status.

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 46 percent of the eligible subscribers in Fiscal Year 2005. 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.

### **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 reports endowments in higher education endowment permanent accounts. These accounts are established outside of the state treasury for use by the higher education institutions. State law permits the governing boards of the institutions to appropriate for expenditure as much of the net appreciation, realized and unrealized, in the fair value of the assets of an endowment fund as is deemed prudent under the facts and circumstances prevailing at the time.

Generally, the institutions use a 5 percent spending rate policy for authorizing and spending investment income.

The net appreciation available for authorization for expenditure by governing boards totaled \$126.9 million and is reported in the nonexpendable portion of the reserve for permanent funds.

## Note 2 - Accounting and Reporting Changes

Fund equity at July 1, 2004, has been restated as follows (expressed in thousands):

	Fund equity at June 30, 2004, as previously reported	Fund Reclassification	Prior Period Adjustment	Fund equity as restated, July 1, 2004
<b>Governmental Funds:</b>				
General	\$ 1,516,110	-	-	\$ 1,516,110
Higher Education Special Revenue	1,013,829	-	-	1,013,829
Higher Education Endowment	1,951,337	-	195,461	2,146,798
Nonmajor Governmental	3,682,237	47	-	3,682,284
<b>Proprietary Funds:</b>				
Enterprise Funds:				
Workers' Compensation	(6,942,020)	-	-	(6,942,020)
Unemployment Compensation	1,624,347	(47)	-	1,624,300
Higher Education Student Services	831,421	-	830	832,251
Nonmajor Enterprise	433,171	-	-	433,171
Internal Service Funds	(70,828)	-	-	(70,828)
<b>Fiduciary Funds:</b>				
Private Purpose Trust	2,440	-	-	2,440
Local Government Investment Pool	4,765,563	-	-	4,765,563
Pension and Other Employee Benefit Plans	46,841,015	-	-	46,841,015
<b>Component Units:</b>				
Public Stadium	453,431	-	-	453,431
Nonmajor Component Units	54,558	-	-	54,558

### Reporting Changes

Effective for Fiscal Year 2005 reporting, the state implemented two new accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, and

Statement No. 44, *Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1*.

Fund Reclassification – It was discovered that activity of a certain Nonmajor Governmental Fund was incorrectly being reported within the Unemployment Compensation Fund. As a result, beginning fund balances were restated to effect proper fund classification.

Prior Period Adjustment –The Evergreen State College recorded a prior period adjustment in the Higher Education Student Services Fund to record infrastructure that had not been properly recorded in prior years.

Washington State University recorded a prior period adjustment in the Higher Education Endowment Fund to properly reflect the accounting for its foundation.

## 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 restrict the State Treasurer 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) constitutes a multiple financial institution collateral pool. Pledged securities under the PDPC collateral pool are held by the PDPC's agent in the name of the collateral pool.

At June 30, 2005, \$1.9 billion of the state's deposits with financial institutions were either insured or collateralized, with the remaining \$53.4 million uninsured/uncollateralized. The Federal Deposit Insurance Corporation (FDIC) covers the state's insured deposits and the PDPC provides collateral protection.

### B. Investments – Pension and Other Employee Benefit Trust Funds (Pension Trust Funds)

#### 1. SUMMARY OF INVESTMENT POLICIES

The Washington State Investment Board (WSIB) has been authorized by statute as having the investment management responsibility for the pension trust funds. The WSIB manages pension fund assets to maximize return at a prudent level of risk (RCW 43.33A.110). WSIB establishes asset allocation targets that must be considered at all times when making investment decisions.

**Eligible Investments** - Pension trust funds are invested in the Commingled Trust Fund (CTF). The CTF is comprised of public market equities, fixed income securities, private equity investments and real estate. The CTF's performance benchmark objective is to exceed the return of a policy benchmark consisting of public market indices weighted according to asset allocation targets. The asset allocation for the CTF is formally reviewed every three to four years.

The public markets equity portion of the pension trust funds includes strategies in the U.S., developed

international and emerging markets. Since the U.S. equity markets are generally efficient, the domestic equity portfolio is entirely (100 percent) passively managed. Over time, the domestic equity portfolio should closely track the return of a broad U.S. market benchmark, the Dow Jones Wilshire 5000 Index. Non-U.S. markets are generally less efficient than the U.S. market: therefore, more active management is included in the approach taken with international markets. The weightings of the elements of the developed markets and emerging markets of the non-U.S. equity program is similar to the weightings of the MSCI All Country World ex. U.S. Index that serves as the benchmark for the WSIB's entire non-U.S. program.

The fixed income investments of the pension trust funds are actively managed to exceed the return of the Lehman Universal Index, with volatility similar to or less than the index. The portfolio constraints are that no corporate fixed income issue shall exceed 3 percent of cost at the time of purchase or 6 percent of market value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of market value of the fund. Permissible fixed income market segments include: U.S. Treasuries and government agencies, Treasury Inflation Protection Securities, investment-grade credit bonds, high yield bonds, publicly traded mortgage backed securities, commercial mortgage-backed securities, privately-placed mortgages, private placements of corporate debt, asset-backed securities, convertible securities, non-dollar bonds, real estate mortgages and Washington State Housing Finance Commission taxable municipal bonds up to a total of \$25 million with a maximum of \$10 million per year.

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 include venture capital investments, corporate finance (including leveraged, management and employee buyouts), distressed, international and mezzanine investments. Private equity investments are made through limited partnership vehicles. The private equity portfolio has diversified investments in companies in a variety of stages of growth. The portfolio also includes a broad cross-section of opportunities in different industries, and geographic regions.

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 combination of 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. The real estate portfolio is managed to deliver risk-adjusted returns that are consistent with the Board's long-term return expectations for the asset class. The WSIB's real estate partnerships typically invest in private real estate assets that are held for long-term income and appreciation. Many of the WSIB's investment partnerships do not involve co-investment with other financial entities, thereby providing the WSIB with control provisions related to liquidation, acquisition, and ongoing operational decisions like annual capital expenditures.

## 2. SECURITIES LENDING

State law and Board policy permit the WSIB to participate in securities lending programs to augment investment income. The Board has entered into an agreement with State Street Bank and Trust (SSB) to act as agent for the WSIB in securities lending transactions. As SSB is the custodian bank for the WSIB, it is counterparty to securities lending transactions.

In accordance with GASB Statement 28, the WSIB reports securities lent (the underlying securities) as assets in the statement of net assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Securities received as collateral are reported assets if the WSIB has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are reported in the statement of net assets. Securities lending transactions collateralized by securities that the WSIB does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

Securities were loaned and collateralized by the WSIB's agent with cash and U.S. government securities (exclusive of mortgage backed securities and letters of credit), and irrevocable letters of credit. When the loaned securities were denominated in United States dollars, were securities whose primary trading market was located in the United States or were sovereign debt issued by foreign governments, the collateral requirement was 102 percent of the market value of the securities loaned. When the loaned securities were not denominated in United States dollars or were securities whose primary trading market was not located in the United States, the collateral requirement was 105 percent of the market value of the loaned securities. The collateral held and market value of securities on loan at June 30, 2005 were \$4.4 billion and \$4.3 billion respectively.

During Fiscal Year 2005, securities lending transactions could be terminated on demand by either the WSIB or the borrower. The average term of overall loans was 26 days.

Cash collateral was invested by the WSIB's agents in securities issued or guaranteed by the U.S. government, the WSIB's short-term investment pool (average weighted maturity of 266 days) or term loans. 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. 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. SSB indemnified the WSIB 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. SSB'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 2005, there were no significant violations of legal or contractual provisions, or failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the WSIB incurred no losses during Fiscal Year 2005 resulting from a default by either the borrowers or the securities lending agents.

## 3. INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The pension fixed income investments are actively managed to exceed the return of the Lehman Universal Index, with volatility as measured by duration to be similar to or less than the index. Pension trust funds are invested in U.S. agencies and corporate debt variable-rate securities, most of which reset periodically to the market interest rate. Because these securities frequently reprice to prevailing market rates, interest rate risk is substantially reduced at each periodic reset date.

The following schedule presents the pension fund investments by type and provides information about the interest rate risks associated with the pension trust funds investments as of June 30, 2005. The schedule displays various asset classes held by maturity in years and credit

ratings. Variable-rate securities are presented according to the length of time until the next reset date rather than the stated maturity.

<b>Pension Trust Funds</b>							
<b>June 30, 2005</b>							
(expressed in thousands)		<b>Maturity</b>					
<b>Investment Type</b>	<b>Fair Value</b>	Less than 1 year	1-5 years	6-10 years	More than 10 years	<b>Credit Rating</b>	
Asset Backed Securities	\$ 29,967	\$ 27,435	\$ 2,532	\$ -	\$ -	Aaa	
Mortgages:							
Collateralized Mortgage Obligations	973,944	95,544	418,114	363,768	96,518	Aaa	
Pass Throughs	2,538,057	-	2,262,931	275,126	-	Aaa	
Non-Standard Mortgages	5,340	-	1,418	3,922	-	Aaa	
Commercial Mortgage Backed Securities	405,503	-	177,367	228,136	-	Multiple	
Corporate Bonds - Domestic	4,035,134	435,391	1,481,297	1,434,490	683,956	Multiple	
Government Securities - Domestic:							
US Government Treasuries	786,154	-	224,683	135,376	426,095	Aaa	
Treasury Inflation Protected Securities	2,376,456	-	1,618,842	757,614	-	Aaa	
Variable Rate Notes	334,665	70,364	264,301	-	-	Multiple	
	<u>\$ 11,485,220</u>	<u>\$ 628,734</u>	<u>\$ 6,451,485</u>	<u>\$ 3,198,432</u>	<u>\$ 1,206,569</u>		
Corporate Stock - Foreign	4,978,815						
Commingled Index Funds - Domestic	15,570,892						
Commingled Index Funds - Foreign	2,671,239						
Money Market Funds	1,284,315						
Private Equity	6,898,947						
Real Estate	4,423,171						
Currencies	27,403						
Securities Lending Collateral Balances	4,367,254						
<b>Defined Contribution Plans Assets:</b>							
Short-Horizon	36,780						
Mid-Horizon	114,397						
Long-Horizon	104,477						
Mutual Funds:							
Domestic Equity Passive	1,097,805						
Non-US Passive Developed	172,271						
Domestic Equity Active	958,850						
Non-US Active Developed	52,390						
Washington State Bond Fund	270,849						
Savings Pool	653,054						
Money Market Mutual Funds	292,098						
<b>Total</b>	<u><u>\$ 55,460,227</u></u>						

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

<b>Pension Trust Funds</b>				
<b>Investments with Multiple Credit Ratings</b>				
(expressed in thousands)				
	<b>Investment Type</b>			
<b>Moody's Equivalent Credit Rating</b>	Corporate Bonds - Domestic	Variable Rate Notes	Commercial Mortgage Backed Securities	<b>Total</b>
Aaa	\$ 405,507	\$ -	\$ 382,673	\$ 788,180
Aa1	21,400	-	22,830	44,230
Aa2	201,810	70,127	-	271,937
Aa3	417,339	114,818	-	532,157
A1	494,331	26,988	-	521,319
A2	258,929	50,138	-	309,067
A3	249,214	29,916	-	279,130
Baa1	598,979	-	-	598,979
Baa2	518,902	19,400	-	538,302
Baa3	450,902	-	-	450,902
Ba1	133,346	23,278	-	156,624
Ba2	47,539	-	-	47,539
Ba3	132,052	-	-	132,052
B1	21,375	-	-	21,375
B2	51,853	-	-	51,853
B3	10,239	-	-	10,239
D	21,417	-	-	21,417
<b>Total</b>	<b>\$ 4,035,134</b>	<b>\$ 334,665</b>	<b>\$ 405,503</b>	<b>\$ 4,775,302</b>

**4. CREDIT RISK**

**Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Rated debt investments of the pension trust funds as of June 30, 2005, 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 WSIB policy states no corporate fixed income issue shall exceed 3 percent of cost at the time of purchase or 6 percent of market value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of market value of the fund. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2005.

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of failure of the custodian, the WSIB would not be able to recover its investment securities or collateral securities that are in the possession of the custodian. The WSIB has no formal policy regarding custodial credit risk. However, as all of the pension fund

system assets are registered and held in the State of Washington's name, they are not subject to custodial credit risk.

**5. 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 WSIB does 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 pension fund investments to foreign currency risk. The schedule provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars. The pension trust funds also had \$2.7 billion invested in an international commingled equity index fund. As such, these currency denominations are not presented in the following schedule.

<b>Pension Trust Funds</b>					
<b>Foreign Currency Risk</b>					
(expressed in thousands)					
<b>Foreign Currency Denomination</b>	<b>Investment Type</b>				<b>Total</b>
	Short Term	Equity	Private Equity	Real Estate	
Australia-Dollar	\$ 887	\$ 228,856	\$ -	\$ -	\$ 229,743
Austria-Schilling	-	60,894	-	-	60,894
Belgium-Franc	-	69,056	-	-	69,056
Brazil-Real	12	42,962	-	-	42,974
Britain-Pound	6,457	875,645	103,508	55,539	1,041,149
Bulgaria-Lev	8	-	-	-	8
Canada-Dollar	765	181,549	14,462	9,158	205,934
Chinese Yuan	-	-	-	1,831	1,831
Czech Kroner	-	-	-	258	258
Denmark-Krone	818	32,143	-	-	32,961
E.M.U.-Euro	11,502	64,401	547,596	209,502	833,001
Egypt-Pound	-	3,905	-	-	3,905
Finland-Markka	-	61,417	-	-	61,417
France-Franc	-	474,097	986	-	475,083
Germany-Mark	-	337,059	-	-	337,059
Greece-Drachma	-	23,545	-	-	23,545
Hong Kong-Dollar	720	101,769	-	13,639	116,128
Hungary-Forint	-	13,223	-	2,584	15,807
Indonesia-Rupiah	35	6,932	-	-	6,967
Ireland-Punt	-	5,968	-	-	5,968
Italy-Lira	-	169,215	-	-	169,215
Japan-Yen	3,830	889,995	-	222,199	1,116,024
Korean Won	-	-	-	7,452	7,452
Lithuania-Litas	-	194	-	-	194
Malaysia-Ringgit	-	2,215	-	-	2,215
Mexico-Peso	(22)	21,300	-	89,982	111,260
Netherland-Guilder	-	253,950	-	-	253,950
New Zealand-Dollar	16	18,711	-	-	18,727
Norway-Krone	211	127,349	-	-	127,560
Pakistan-Rupee	1	13,928	-	-	13,929
Philippines-Peso	21	1,344	-	-	1,365
Poland-Zloty	-	27,803	-	1,034	28,837
Portugal-Escudo	-	4,620	-	-	4,620
Singapore-Dollar	560	35,913	-	-	36,473
South Africa-Rand	-	20,052	-	-	20,052
South Korea-Won	1	31,940	-	-	31,941
Spain-Peseta	-	229,716	-	-	229,716
Sweden-Krona	414	154,254	92,140	-	246,808
Switzerland-Franc	1,166	225,164	-	-	226,330
Taiwan Dollar	-	-	-	2,498	2,498
Thai Baht	-	-	-	281	281
Turkey-Lira	2	26,277	-	-	26,279
<b>Total</b>	<b>\$ 27,404</b>	<b>\$ 4,837,361</b>	<b>\$ 758,692</b>	<b>\$ 615,957</b>	<b>\$ 6,239,414</b>

**6. DERIVATIVES**

WSIB is authorized to utilize various derivative financial instruments, including mortgage-backed securities, financial futures, forward contracts, interest rate and equity swaps, and options to manage its exposure to fluctuations in interest and currency rates while increasing portfolio returns. Derivative transactions involve varying degrees of market and credit risk. WSIB mitigates market risks arising from derivative transactions by requiring collateral in cash and investments to be maintained equal to the securities positions outstanding, and 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.

Consistent with the WSIB authority to invest in derivatives, international active equity managers may make limited investments in financial futures, forward contracts or other derivative securities to manage exposure to currency rate risk and equitize excess cash holdings. No such derivative securities were held as of June 30, 2005. 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, 2005, the only derivative securities held directly by WSIB were collateralized mortgage obligations (CMOs) of \$973.9 million

**7. REVERSE REPURCHASE AGREEMENTS**

State law permits WSIB to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the state or provide securities or cash of equal value, WSIB would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. There were no reverse repurchase agreements during the year and there were no liabilities outstanding as of June 30, 2005.

**C. Investments – Workers’ Compensation Fund**

**1. SUMMARY OF INVESTMENT POLICIES**

Under RCW 43.33A.030, trusteeship over the investment of the workers’ compensation fund investments is vested in the WSIB. The Legislature established a standard of care for investment of these funds in RCW 43.33A.140.

Additionally, the WSIB must comply with other state laws, such as the Ethics in Public Service Act, RCW 42.52, as it makes investment decisions and seeks to meet its investment objectives.

In accordance with state laws, workers’ compensation fund investments are to be 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 those above, achieve a maximum return at a prudent level of risk.

**Eligible Investments** – Eligible investments include:

- U.S. Equities.
- International Equities.
- U.S. Treasuries and Government Agencies.
- Credit Bonds.
- Mortgage-Backed Securities rated BBB- or higher by Standard & Poor’s and Baa3 or higher by Moody’s Investor’s Service (Moody’s).
- Asset-Backed Securities rated BBB- or higher by Standard & Poor’s and Baa3 or higher by Moody’s.
- Commercial Mortgage-Backed Securities rated BBB- or higher by Standard & Poor’s and Baa3 or higher by Moody’s.
- Investment Grade Non-U.S. Dollar Bonds.

**Investment Restrictions** - To meet stated objectives, investments of workers’ compensation funds are subject to the following constraints:

- Asset allocation between equity and fixed income investments must fall within prescribed limits and are to be reviewed every three to four years or sooner if there are significant changes in funding levels or the liability durations.
- No corporate fixed income issue cost shall exceed 3 percent of the fund’s market value at the time of purchase, nor shall its market value exceed 6 percent of the fund’s market value at any time.
- Allocation of equity investments between U.S. and International must fall within prescribed limits. The benchmark and structure for U.S. equities is the broad U.S. stock market as defined by the Dow Jones-Wilshire 5000. The benchmark and structure for international equities is the Morgan Stanley Capital Indexes Europe, Australia, Far East (MSCI EAFE) index. Both portfolios are 100 percent passively

managed in commingled index funds. The commingled funds may use futures for hedging or establishing a long position.

- The fixed income portfolios' structure varies depending upon the required duration target. The duration targets are 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 prescribed ranges. These targets are long-term in nature. 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 as soon as it is practical to the target allocations.
- Total holdings of below investment grade credit bonds (rated BB+ or below by Standard & Poor's or rated Ba1 or below by Moody's) should not exceed 5 percent of total fixed income holdings.

## 2. SECURITIES LENDING

State law and Board policy permit the WSIB to participate in securities lending programs to augment investment income. The Board has entered into an agreement with State Street Bank and Trust (SSB) to act as agent for the WSIB in securities lending transactions. As SSB is the custodian bank for the WSIB, it is counterparty to securities lending transactions.

The Securities Lending Collateral Balances included are from securities required to be listed under GASB 3 Category 3 – Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the government's name. (This includes the amount of any repurchase agreement that exceeds the market value of the underlying securities.)

In accordance with GASB Statement 28, the WSIB reports securities lent (the underlying securities) as assets in the statement of net assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Securities received as collateral are reported assets if the WSIB has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are reported in the statement of net assets. Securities lending transactions collateralized by securities that the WSIB does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

Securities were loaned and collateralized by the WSIB's agent with cash and U.S. government securities (exclusive of mortgage backed securities and letters of credit), and irrevocable letters of credit. When the loaned securities were denominated in United States

dollars, were securities whose primary trading market was located in the United States or were sovereign debt issued by foreign governments, the collateral requirement was 102 percent of the market value of the securities loaned. When the loaned securities were not denominated in United States dollars or were securities whose primary trading market was not located in the United States, the collateral requirement was 105 percent of the market value of the loaned securities. The collateral held and market value of securities on loan at June 30, 2005 was \$1.4 billion and \$1.2 billion respectively.

During Fiscal Year 2005, securities lending transactions could be terminated on demand by either the WSIB or the borrower. The average term of overall loans was 26 days.

Cash collateral was invested by the WSIB's agents in securities issued or guaranteed by the U.S. government, the WSIB's short-term investment pool (average weighted maturity of 266 days) or term loans. 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. 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. SSB indemnified the WSIB 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. SSB'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 2005, there were no significant violations of legal or contractual provisions, no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the WSIB incurred no losses during fiscal year 2005 resulting from a default by either the borrowers or the securities lending.

## 3. INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The workers' compensation fixed income investments are actively managed to exceed the return of the Lehman Aggregate Index, with volatility as measured by duration to be similar to or less than the index. As of June 30, 2005, the durations of the various fixed income classes were within the duration targets of the Lehman Aggregate Index.

The workers' compensation fund investments include both U.S. agencies and corporate debt variable-rate securities, most of which reset periodically to the market interest rate. Because these securities frequently reprice to prevailing market rates, interest rate risk is substantially reduced at each periodic reset date.

The following schedule presents the workers' compensation fund investments by type and provides information about the interest rate risks associated with the investments as of June 30, 2005. The schedule displays various asset classes held by maturity in years and credit ratings. Variable-rate securities are presented according to the length of time until the next reset date rather than the stated maturity.

**Workers' Compensation Fund  
June 30, 2005**

(expressed in thousands)

Investment Type	Fair Value	Maturity				Credit Rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years	
Asset Backed Securities	\$ 11,715	\$ 4,360	\$ 7,355	\$ -	\$ -	Aaa
Mortgages:						
Collateralized Mortgage Obligations	1,179,189	24,409	280,883	688,764	185,133	Aaa
Pass Throughs	16,905	-	644	277	15,984	Aaa
Non-Standard Mortgages	35,812	-	33,466	687	1,659	Aaa
Commercial Mortgage Backed Securities	521,281	-	276,540	244,741	-	Aaa
Corporate Bonds - Domestic	5,012,097	100,242	1,185,862	1,177,843	2,548,150	Multiple
Government Securities-Domestic:						
US Government Treasuries	1,055,322	6,965	75,667	31,976	940,714	Aaa
US Government Agencies	235,323	847	-	-	234,476	Aaa
Variable Rate Notes	158,375	33,100	125,275	-	-	Multiple
	<u>8,226,019</u>	<u>\$ 169,923</u>	<u>\$ 1,985,692</u>	<u>\$ 2,144,288</u>	<u>\$ 3,926,116</u>	
Commingled Index Funds-Domestic	1,521,613					
Commingled Index Funds-Foreign	285,755					
Money Market Funds	151,922					
Securities Lending Collateral Balances	<u>1,371,104</u>					
<b>Total</b>	<b>\$ 11,556,413</b>					

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

<b>Workers' Compensation Fund</b>			
<b>Investments with Multiple Credit Ratings</b>			
<b>June 30, 2005</b>			
(expressed in thousands)			
<b>Moody's Equivalent Credit Rating</b>	<b>Investment Type</b>		<b>Total</b>
	Corporate Bonds - Domestic	Variable Rate Notes	
Aaa	\$ 371,129.00	\$ -	\$ 371,129.00
Aa1	57,525	-	57,525
Aa2	109,836	22,966	132,802
Aa3	472,972	-	472,972
A1	635,389	103,515	738,904
A2	666,338	-	666,338
A3	446,534	22,960	469,494
Baa1	775,278	-	775,278
Baa2	886,173	8,934	895,107
Baa3	431,976	-	431,976
Ba1	88,402	-	88,402
Ba2	3,071	-	3,071
Ba3	46,218	-	46,218
B1	21,256	-	21,256
<b>Total</b>	<b>\$ 5,012,097</b>	<b>\$ 158,375</b>	<b>\$ 5,170,472</b>

**4. CREDIT RISK**

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The rated debt investments of the workers' compensation funds as of June 30, 2005, 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 WSIB policy states that the cost of no corporate fixed income issue shall exceed 3 percent of the fund's market value at the time of purchase, nor shall its market value exceed 6 percent of the fund's market value at any time. There was no concentration of credit risk as of June 30, 2005.

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of failure of the custodian, the WSIB would not be able to recover its investment securities or collateral securities that are in the possession of the custodian. The WSIB has no formal policy regarding custodial credit risk. However, as all of the workers' compensation fund system assets are registered and held in the State of Washington's name, they are not subject to custodial credit risk.

**5. 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 WSIB does not have a formal policy to limit foreign currency risk. The workers' compensation funds had \$285.8 million invested in an international commingled equity index fund. As such, no currency denomination is presented.

**6. DERIVATIVES**

WSIB is authorized to utilize various derivative financial instruments, including mortgage-backed securities, financial futures, forward contracts, interest rate and equity swaps, and options to manage its exposure to fluctuations in interest and currency rates while increasing portfolio returns. Derivative transactions involve, to varying degrees, market and credit risk. WSIB mitigates market risks arising from derivative transactions by requiring collateral in cash and investments to be maintained equal to the securities positions outstanding, and 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.

Consistent with the WSIB authority to invest in derivatives, international active equity managers may make limited investments in financial futures, forward

contracts or other derivative securities to manage exposure to currency rate risk and equitize excess cash holdings. No such derivative securities were held as of June 30, 2005. 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, 2005, the only derivative securities held directly by WSIB were collateralized mortgage obligations (CMOs) of \$1.2 billion.

**7. REVERSE REPURCHASE AGREEMENTS**

State law permits WSIB to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the state or provide securities or cash of equal value, WSIB would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. There were no reverse repurchase agreements during Fiscal Year 2005 and there were no liabilities outstanding as of June 30, 2005.

**D. Investments – Local Government Investment Pool (LGIP)**

**1. SUMMARY OF INVESTMENT POLICIES**

The LGIP is managed and operated by the Office of the State Treasurer (OST). The OST is responsible for establishing the investment policy for the pool. It is reviewed annually 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.

**Investment Objectives** - The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk.

The objectives of the LGIP investment policy, in priority order, are safety, liquidity, and return on investment. To provide for the safety and liquidity of 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 the policy.
- Limit the purchase of investments in securities so that the weighted average maturity of the

portfolio, as defined in Section VI of the policy, does not exceed 90 days.

- Limit the purchase of investments to securities that have a maximum final maturity of 397 days, with the exceptions listed in section VI of the policy.
- Limit the purchase of investments in securities other than those issued by the U.S. government or its agencies.
- Prepare regular reports of portfolio activity.

The primary objective of safety will be measured in cash, as opposed to accounting terms, where different, and in terms of the portfolio, as a whole, as opposed to the terms of any individual transaction. This means, for example, that a single transaction that generated an accounting loss but actually increased the amount of cash received in the portfolio would be considered to have increased capital, and not decreased it.

Within the restrictions necessary to ensure the safety and liquidity of funds, the investment portfolio of the LGIP will be structured to attain a market rate of return throughout an economic cycle.

**Eligible Investments** - Eligible investments are only those securities and deposits authorized by statute (RCW 39.58, 39.59, 43.84.080 and 43.250). 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 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.
- Banker’s acceptances purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs), at the time of purchase. If the banker’s acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations.
- Commercial paper, provided that the OST adheres with policies and procedures of the State Investment Board regarding commercial paper (RCW 43.84.080(7)).
- Certificates of deposit with financial institutions qualified by the Washington Public Deposit Protection Commission.
- Obligations of the state of Washington or its political sub-divisions.

**Investment Restrictions** - To provide for the safety and liquidity of LGIP Funds, the investment portfolio will be subject to the following restrictions:

- All money market securities are required to be rated A-1 by Standard and Poor's Corporation and P-1 by Moody's Investors Services, Inc.
- Investments are restricted to fixed rate securities that mature in 397 days or less, and floating and variable rate securities that mature in 762 days or less.
- The weighted average maturity of the portfolio may not exceed 90 days.
- Cash generated through securities lending or reverse repurchase agreement transactions will not increase the dollar amount of specified investment types beyond stated limits.

**2. SECURITIES LENDING**

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 2005, 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, the contract with the lending agent requires them to indemnify the LGIP if the borrowers fail to return the securities (and if collateral is inadequate to replace the securities lent) or if the borrower fails 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 neither violations of legal or contractual provisions nor any losses resulting from a default of a borrower or lending agent during the year.

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, which has contracted with a lending agent to lend securities in the LGIP, earns a fee for 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. The cash is invested by the lending agent in repurchase agreements or money market instruments, 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. At June 30, 2005, all LGIP securities on loan were collateralized by cash and other securities and are classified in the following schedule of custodial credit risk according to the category for the collateral received on the securities lent. On June 30, 2005, the average life of both the loans and the investment of cash received as collateral was one day.

**3. 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 LGIP policy places a 90-day maximum on the weighted average maturity. Further, the maximum maturity of any security may not exceed 397 days, except securities utilized in repurchase agreements and U.S. Agency floating or variable rate notes with reset dates less than a year and which on any reset date can reasonably be expected to have a market value that approximates its amortized cost. As of June 30, 2005, the LGIP had a weighted average maturity of 33 days.

The following schedule presents the LGIP investments by type and provides information about the interest rate risks associated with the LGIP investments as of June 30, 2005.

<b>Local Government Investment Pool (LGIP)</b>					
<b>June 30, 2005</b>					
(expressed in thousands)					
<b>Investment Type</b>	<b>Fair Value</b>	<b>Custodial Credit Risk</b>		<b>Maturity</b>	
		Insured or Held in state's name	Less than 1 year	1-5 years	
U.S. Agency Obligations	\$ 2,812,919	\$ 2,812,919	\$ 2,622,973	\$ 189,946	
U.S. Government Obligations	49,766	49,766	49,766	-	
Certificates of Deposit	572,484	572,484	572,484	-	
Repurchase Agreements	1,566,853	1,566,853	1,566,853	-	
Securities Lending	80,899	-	80,899	-	
<b>Total</b>	<b>\$ 5,082,921</b>	<b>\$ 5,002,022</b>	<b>\$ 4,892,975</b>	<b>\$ 189,946</b>	

**4. CREDIT RISK**

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of a failure of the counter party, the LGIP will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The LGIP 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. All securities held as collateral were rated AAA. The market value of securities held for collateral 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 percentage of the portfolio invested with any one issuer.

**5. FOREIGN CURRENCY RISK - None**

**6. DERIVATIVES – None**

**7. REVERSE REPURCHASE AGREEMENTS**

State law also permits the LGIP to enter into reverse repurchase agreements, which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities pledged as collateral by the LGIP underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the fair value of the securities. If the dealers default on their obligations to resell these securities to the LGIP or to provide equal value in securities or cash, the LGIP would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest.

Repurchase agreements are collateralized at 102 percent. The collateral is priced daily and held by the LGIP’s custodian in the state’s name. Collateral for mortgage-backed repurchase agreements with a maturity date longer than seven days will be priced at 105 percent of fair value, plus accrued interest. Collateralized Mortgage Obligations (CMO) used as collateral for repurchase agreements must pass the Federal Financial Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency.

On June 30, 2005, there were no obligations under reverse repurchase agreements.

**E. Investments – Higher Education Special Revenue and Endowment Funds**

**1. SUMMARY OF INVESTMENT POLICIES**

The investments of the University of Washington represent 65 percent of the total investments in Higher Education Special Revenue and Endowment Funds.

The Board of Regents of the University of Washington is responsible for the management of the University’s investments. The Board establishes investment policy, which is carried out by the Chief Investment Officer. The University of Washington Investment Committee (UWINCO), comprised of Board members and investment professionals, advise on matters relating to the management of the University’s investment portfolios. 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 lent securities, mutual funds, venture capital, private equity, distressed, marketable alternatives, mortgages, real estate, and miscellaneous investments.

The University combines most short-term cash balances in the Invested Funds Pool. At June 30, 2005, the Invested Funds Pool totaled \$646.4 million. The fund also owns units in the Consolidated Endowment Fund valued at \$337.8 million on June 30, 2005. By University policy, departments with qualifying funds in the Invested Funds Pool receive one of four rates of return based on the realized yield of the portfolio. Long-term deposits received 3.5 percent for Fiscal Year 2005. Operating and plant fund balances of self-sustaining units received 3.2 percent. Royalty accounts received 1.0 percent and gift accounts received 3.0 percent. 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 subscribe to or dispose of 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. The CEF income distribution is 5 percent of the average fair value of the CEF for the previous three years. State law allows for the spending of appreciation in the CEF.

The University records its permanent endowments at the lower of original value or current market value in the Restricted Nonexpendable Net Assets category. Of the total of approximately \$775 million permanent endowment funds (at market value) as of June 30, 2005, the aggregate amount of the deficiencies for all funds for

which the fair value of the assets is less than the original gifts is \$2.8 million.

Funds in irrevocable trusts managed by trustees other than the University are not reported in the financial statements. The fair value of these funds was approximately \$52 million at June 30, 2005. Income received from these trusts was \$2 million for the year ended June 30, 2005.

## 2. SECURITIES LENDING

The University's investment policies permit it to lend its securities to broker dealers and other entities. The University's custodian lends securities for collateral in the form of cash or other securities, with the simultaneous agreement to return the collateral for the same securities in the future. U.S. securities are loaned and secured by collateral valued at 102 percent of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned and secured by collateral valued at 105 percent of the fair value of the securities plus any accrued interest. At year-end, the University had no credit risk exposure to borrowers because the amounts the University owes the borrowers exceed the amounts the borrowers owe the University.

The contract with the custodian requires it to indemnify the University if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the University for income distributions by the securities' issuers while the securities are on loan.

Either the University or the borrower can terminate all securities loans on demand, although the average term of overall loans is 87 days. Cash collateral is invested in a short-term investment pool that had an average weighted maturity of 28 days as of June 30, 2005. The relationship between the maturities of the investment pool and the University's loans is affected by the maturities of the securities loaned by other entities that use the custodian's pool. The University cannot determine the maturities of these loaned securities. The University cannot sell or pledge non-cash collateral unless the borrower defaults. Non-cash collateral at June 30, 2005, was \$35.7 million.

Securities on loan at June 30, 2005, totaled \$360.9 million, and are presented by investment type in the following schedule. The securities lending program resulted in net revenues of \$.7 million for the year ended June 30, 2005.

The following schedule presents the fair value of the University of Washington's investments by type at June 30, 2005.

<b>University of Washington</b>	
<b>June 30, 2005</b>	
(expressed in thousands)	
<b>Investment Type</b>	<b>Fair Value</b>
Cash Equivalents	\$ 76,919
Domestic Fixed Income	604,305
Domestic Fixed Income-Loaned	294,567
Foreign Fixed Income	48,358
Domestic Equity	518,615
Domestic Equity-Loaned	38,500
Foreign Equity	277,122
Foreign Equity-Loaned	27,812
Venture Capital	170,383
Buyout	243,350
Opportunistic	16,857
Marketable Alternatives	21
Real Estate	12,484
Miscellaneous	3
<b>Total Investments</b>	<b>2,329,296</b>
Collateral from Securities Lending - Cash	339,231
<b>Total</b>	<b>\$ 2,668,527</b>

### 3. INTEREST RATE RISK

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 the ample freedom for the manager to perform, while controlling the interest rate risk in the portfolio. Modified duration, which estimates the sensitivity of a bond's price to interest rate changes, is based on Macaulay duration. Macaulay duration is the basic calculation developed for a portfolio of bonds assembled to fund a fixed liability. Macaulay duration is calculated as follows: sum of discounted time-weighted cash flows / bond price. Modified duration is calculated using the following formula: Macaulay duration / (1 + yield-to-maturity/ number of coupon payments per year).

The Interest Rate Risk Schedule presents the modified duration of the University's investments for which duration is measured.

Approximately \$166.5 million of additional domestic fixed income securities (including Loaned) and \$6.9 million of additional foreign fixed income securities, which in total makeup 7.4 percent of the University's investments, are not included in the duration figures below. These investments, some of which are managed by the University and others by the University's affiliates, are not invested under the same investment strategy or with the same custodian as those detailed in the following schedule.

**University of Washington**

**Interest Rate Risk**

**Duration as of June 30, 2005**

(expressed in thousands, modified duration in years)

	<b>Consolidated Endowment Fund</b>		<b>Invested Funds Pool</b>		<b>Other</b>	
	Asset Value	Duration	Asset Value	Duration	Asset Value	Duration
<b>Domestic Fixed Income</b>						
Asset Backed	\$ 7,029	1.73	\$ 127,909	1.29	\$ 2,525	1.36
Cash Equivalents (Short-term Money Market)	2,689	0.05	10,481	0.05	1,668	0.04
Corporate Bonds	12,420	4.44	20,249	2.22	13,841	6.08
Government & Agencies	42,921	6.15	296,738	3.92	9,218	5.83
Mortgage Related	26,167	2.87	153,790	1.83	4,727	2.85
Subtotal	91,226	4.46	609,167	2.72	31,979	4.84
<b>Foreign Fixed Income</b>						
International Fixed	37,367	6	1,201	4	2,891	6
<b>Total</b>	<b>\$ 128,593</b>	<b>4.93</b>	<b>\$ 610,368</b>	<b>2.72</b>	<b>\$ 34,870</b>	<b>4.91</b>

**4. CREDIT RISK**

The University investment policies limit investments to investment grade assets. The Investment Policy for the University's operating funds reflects a higher level of credit risk/loss sensitivity and requires each manager to maintain a specific average AA rating as issued by a nationally recognized rating organization. Additionally, the investment policy requires the operating funds to have 50 percent of the assets invested 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.

**5. FOREIGN CURRENCY RISK**

The University's investment policies permit investments in international equity and other asset classes that can include foreign currency exposure.

The University's investment strategy within the Invested Funds Pool is to hedge exposure to foreign currency. Within this pool, the University enters into foreign currency forward contracts, futures contracts, and options to hedge the foreign currency exposure.

At June 30, 2005, the University had net outstanding forward commitments to sell foreign currency with a total fair value of \$32.7 million, which equals 1.4 percent of the total portfolio.

As part of the investment strategy, the University does not hedge foreign currency exposure within the equity portion of the Consolidated Endowment Fund.

The following schedule details the market value of foreign denominated securities by currency type in the Consolidated Endowment Fund.

<b>University of Washington</b> <b>Consolidated Endowment Fund</b> <b>Foreign Currency Risk</b> <b>June 30, 2005</b> (expressed in thousands)	
<b>Foreign Currency</b>	<b>Market Value</b>
Euro	\$ 63,907
British - Pound	43,280
Japan - Yen	37,641
Switzerland - Franc	15,832
South Korean - Won	14,232
Hong Kong Dollar	12,811
China - Rimenbi	11,412
Taiwan - NTD	11,221
Mexico - Pesc	10,634
Other (less than 3% each)	139,935
<b>Total</b>	<b>\$ 360,905</b>

**6. DERIVATIVES**

The University’s investments include certain derivative instruments and structured notes that derive their value from a security, asset, or index. Such investments are governed by the University’s Investment Policies and Guidelines, which effectively constrain their use by establishing (a) duration parameters which limit price sensitivity to interest rate fluctuations (market risk), (b) minimum quality ratings at both the security and portfolio level, and (c) a market index as a performance benchmark.

**7. REVERSE REPURCHASE AGREEMENTS - None**

**F. Investments – Office of the State Treasurer (OST) Cash Management Account**

**1. SUMMARY OF INVESTMENT POLICIES**

The OST operates the state’s Cash Management Account for investing Treasury/Trust Funds in excess of daily requirements.

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. The emphasis on “expected” is to recognize that investment decisions are made under conditions of risk and uncertainty. Neither the actual risk nor return of any investment decision is known with certainty at the time the decision is made.

**Eligible Investments** - Eligible investments are only those securities and deposits authorized by statute (RCW 39.58, 39.59, 43.84.080 and 43.250). 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 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.
- Banker’s acceptances purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs), at the time of purchase. If the banker’s acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations.
- Commercial paper, provided that the State Treasurer adheres with policies and procedures of the State Investment Board regarding commercial paper (RCW 43.84.080(7)).
- Certificates of deposit with financial institutions qualified by the Washington Public Deposit Protection Commission.
- Local Government Investment Pool, for proceeds of bonds or other debt obligations, when the investments are made in order to

comply with the Internal Revenue Code of 1986, as amended.

- Obligations of the state of Washington or its political sub-divisions.

**Investment Restrictions** - To provide for the safety and liquidity of Treasury/Trust Funds, the Cash Management Account investment portfolio is subject to the following restrictions:

- The final maturity of any security will not exceed ten years.
- Purchase of collateralized mortgage obligations (CMO) requires prior approval from the treasurer or assistant treasurer; CMO securities must pass the Federal Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency.
- The allocation to investments subject to high 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.

**2. 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, which has contracted with a lending agent to lend securities, earns a fee for this activity. The OST 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

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. The contract with the lending agent requires them to indemnify the OST if the borrowers fail to return the 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, 2005, securities on loan approximated \$620 million. All OST securities on loan were collateralized by cash and other securities and are classified in the schedule of custodial credit risk according to the category for the collateral received on the securities lent. On June 30, 2005, the average life of both the loans and the investment of cash received as collateral was one day.

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 2005, 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 or any losses resulting from a default of a borrower or lending agent during the fiscal year.

**3. INTEREST RATE RISK**

Interest rate risk is the risk that changes in interest rates will adversely affect the value of the investment. The Treasury/Trust investments are separated into two main portfolios. The OST's investment policy limits the weighted average maturity of its investments, according to the objectives of each portfolio.

The following schedule presents the fair value of the OST's investments by type at June 30, 2005.

**Office of the State Treasurer (OST)**

**Cash Management Account**

**June 30, 2005**

(expressed in thousands)

Investment Type	Fair Value	Custodial Credit Risk		Maturity		
		Insured or Held in state's name		Less than 1 year	1-5 years	6-10 years
U.S. Government Obligations	\$ 381,079	\$ 381,079		\$ 286,747	\$ 94,332	\$ -
U.S. Agency Obligations	2,108,922	2,108,922		1,425,227	673,704	9,991
Certificates of Deposit	719,263	719,263		719,263	-	-
Repurchase Agreements	869,000	869,000		869,000	-	-
Securities Lending	620,441	-		620,441	-	-
<b>Total</b>	<b>\$ 4,698,705</b>	<b>\$ 4,078,264</b>		<b>\$ 3,920,678</b>	<b>\$ 768,036</b>	<b>\$ 9,991</b>

4. CREDIT RISK

**Credit Risk** - The OST limits credit risk by adhering to the OST investment policy which restricts the types of investments the OST can participate in, such as: U.S. government and agency securities, banker's acceptances, commercial paper, and certificates of deposit with qualified public depositories.

**Custodial Credit Risk** - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The OST investment policy requires that securities purchased by the office to 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 insure 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. The OST limits its exposure to concentration of credit risk by restricting the amount of investments with a single issuer to a percentage of the total portfolio. Percentages are monitored on a daily basis. During Fiscal Year 2005, the Cash Management Account did not have more than 5 percent of total investments in a single issuer.

5. FOREIGN CURRENCY RISK - None

6. DERIVATIVES - None

7. REVERSE REPURCHASE AGREEMENTS

State law also permits the OST to enter into reverse repurchase agreements, which are, by contract, sales of

securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities pledged as collateral by the OST underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the fair value of the securities. If the dealers default on their obligations to resell these securities to the OST or to provide equal value in securities or cash, the OST would suffer an economic loss equal to the differences between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The OST investment policy limits the amount of reverse repurchase agreements to 30 percent of the total portfolio.

The market value, plus accrued income, of mortgage-backed securities utilized in repurchase agreements with more than seven days remaining until maturity will be 105 percent of the value of the repurchase agreement. The market value, plus accrued income, of securities utilized in all other repurchase agreements will be 102 percent of the value of the repurchase agreement. The securities utilized in repurchase agreements are priced daily and held by the Treasury/Trust custodian in the state's name. Collateralized Mortgage Obligations (CMO) utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency.

During the Fiscal Year 2005, the OST did not enter into any reverse repurchase agreements and there were no obligations under reverse repurchase agreements outstanding at year-end.

## Note 4 - Receivables and Deferred/Unearned Revenues

### A. Governmental Funds

#### Taxes Receivable

Taxes receivable at June 30, 2005, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education		Nonmajor	Total
		Special Revenue	Endowment	Governmental Funds	
Property	\$ 838,470	\$ -	\$ -	\$ 662	\$ 839,132
Sales	1,231,478	-	-	17,030	1,248,508
Business and occupation	396,693	-	-	-	396,693
Estate	15,961	-	-	-	15,961
Fuel	-	-	-	83,166	83,166
Other	87,009	-	-	7,268	94,277
Subtotals	2,569,611	-	-	108,126	2,677,737
Less: Allowance for uncollectible receivables	30,372	-	-	133	30,505
<b>Total Taxes Receivable</b>	<b>\$ 2,539,239</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 107,993</b>	<b>\$ 2,647,232</b>

#### Other Receivables

Other receivables at June 30, 2005, consisted of the following (expressed in thousands):

Other Receivables	General	Higher Education		Nonmajor	Total
		Special Revenue	Endowment	Governmental Funds	
Public assistance (1)	\$ 1,160,955	\$ -	\$ -	\$ -	\$ 1,160,955
Accounts receivable	22,388	91,996	612	57,895	172,891
Interest	-	7,156	7,487	4,648	19,291
Loans (2)	1,154	122,902	-	246,302	370,358
Long-term contracts (3)	444	-	13,865	109,898	124,207
Miscellaneous	7,135	12,991	17,611	80,855	118,592
Subtotals	1,192,076	235,045	39,575	499,598	1,966,294
Less: Allowance for uncollectible receivables (1)	955,497	17,120	74	23,878	996,569
<b>Total Other Receivables</b>	<b>\$ 236,579</b>	<b>\$ 217,925</b>	<b>\$ 39,501</b>	<b>\$ 475,720</b>	<b>\$ 969,725</b>

- Note: (1) Public assistance receivables mainly represent amounts owed 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 \$95 million in the Higher Education Special Revenue Fund for student loans and \$239 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.

**Deferred Revenues**

Deferred revenues at June 30, 2005, consisted of the following (expressed in thousands):

Deferred Revenues	General	Nonmajor			Total
		Higher Education Special Revenue	Higher Education Endowment	Governmental Funds	
Property taxes	\$ 814,948	\$ -	\$ -	\$ -	\$ 814,948
Other taxes	268,912	-	-	32	268,944
Timber sales	-	-	13,865	100,902	114,767
Charges for services	15,567	44,323	-	20,505	80,395
Donable goods	347	-	-	-	347
Miscellaneous	58,502	104,944	660	421,873	585,979
<b>Total Deferred Revenues</b>	<b>\$ 1,158,276</b>	<b>\$ 149,267</b>	<b>\$ 14,525</b>	<b>\$ 543,312</b>	<b>\$ 1,865,380</b>

**B. Proprietary Funds**

**Taxes Receivable**

Taxes receivable at June 30, 2005, consisted of \$4.8 million in liquor taxes reported in Nonmajor Enterprise Funds.

**Other Receivables**

Other receivables at June 30, 2005, consisted of the following (expressed in thousands):

Other Receivables	Business-Type Activities				Total	Governmental Internal Service Funds
	Enterprise Funds					
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds		
Accounts receivable	\$ 100,064	\$ -	\$ 175,832	\$ 21,223	\$ 297,119	\$ 3,646
Interest	101,694	-	522	2,984	105,200	384
Loans	-	-	4	-	4	-
Miscellaneous	544,879	621,895	2,509	690	1,169,973	1,454
Subtotals	746,637	621,895	178,867	24,897	1,572,296	5,484
Less: Allowance for uncollectible receivables	77,909	108,214	66,893	120	253,136	152
<b>Total Other Receivables</b>	<b>\$ 668,728</b>	<b>\$ 513,681</b>	<b>\$ 111,974</b>	<b>\$ 24,777</b>	<b>\$ 1,319,160</b>	<b>\$ 5,332</b>

**Unearned Revenues**

Unearned revenues at June 30, 2005, consisted of the following (expressed in thousands):

Unearned Revenues	Business-Type Activities				Total	Governmental Internal Service Funds
	Enterprise Funds					
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds		
Charges for services	\$ -	\$ -	\$ 10,809	\$ 268	\$ 11,077	\$ 1,927
Miscellaneous	13,962	-	19,172	3	33,137	368
<b>Total Unearned Revenues</b>	<b>\$ 13,962</b>	<b>\$ -</b>	<b>\$ 29,981</b>	<b>\$ 271</b>	<b>\$ 44,214</b>	<b>\$ 2,295</b>

**C. Fiduciary Funds**

**Other Receivables**

Other receivables at June 30, 2005, consisted of the following (expressed in thousands):

<b>Other Receivables</b>	Local			
	Private- Purpose Trust	Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
Accounts receivable	\$ 3	\$ -	\$ 1,988	\$ 10,415
Interest	-	9,086	136,449	25,709
Loans	-	-	-	16
Miscellaneous	4,798	-	50,980	45,841
Subtotals	4,801	9,086	189,417	81,981
Less: Allowance for uncollectible receivables	-	-	123	686
<b>Total Other Receivables</b>	<b>\$ 4,801</b>	<b>\$ 9,086</b>	<b>\$ 189,294</b>	<b>\$ 81,295</b>

**Unearned Revenues**

Unearned revenues at June 30, 2005, consisted of \$.8 million for service credit restorations reported in Pension and Other Employee Benefit Plans Funds.

**Note 5 - Interfund Balances and Transfers**

**A. Interfund Balances**

The following balances at June 30, 2005, represent due from and due to balances among all funds and state agencies (expressed in thousands):

Due To	General	Due From					Higher Education Student Services
		Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation	Unemployment Compensation	
General	\$ 75,844	\$ 7,585	\$ -	\$ 78,514	\$ 305	\$ -	\$ -
Higher Educ. Special Revenue	26,589	26,984	-	18,010	243	-	7,986
Higher Education Endowment	-	-	-	-	-	-	-
Nonmajor Governmental Funds	124,990	112	2,050	99,954	391	1,043	-
Workers' Compensation	87	-	-	360	579	-	-
Unemployment Compensation	1,045	963	-	196	33	-	-
Higher Educ. Student Services	440	37,992	-	1,218	83	-	7,266
Nonmajor Enterprise Funds	13,743	25	-	4,391	318	-	54
Internal Service Funds	18,215	2,427	-	18,126	4,749	-	12
Fiduciary Funds	301,372	148	-	37,908	233	-	23,848
<b>Totals</b>	<b>\$ 562,325</b>	<b>\$ 76,236</b>	<b>\$ 2,050</b>	<b>\$ 258,677</b>	<b>\$ 6,934</b>	<b>\$ 1,043</b>	<b>\$ 39,166</b>

All 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.

Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
\$ 12,030	\$ 1,271	\$ 15,501	\$ 191,050
158	3,991	25,519	109,480
-	-	14	14
10,689	1,397	39,045	279,671
122	42	20	1,210
27	59	229	2,552
-	9	2,720	49,728
22,437	945	310	42,223
15,962	12,459	710	72,660
291	41	38,637	402,478
<u>\$ 61,716</u>	<u>\$ 20,214</u>	<u>\$ 122,705</u>	<u>\$ 1,151,066</u>

**B. Interfund Transfers**

Interfund transfers as reported in the financial statements reflect transfers between agencies and accounts reported within the same fund.

Net transfers between funds for the year ended June 30, 2005, consisted of the following (expressed in thousands):

Transferred From	Transferred To						
	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation	Higher Education Student Services	Nonmajor Enterprise Funds
General	\$ 1,300	\$ 12,043	\$ -	\$ 890,424	\$ -	\$ -	\$ 780
Higher Educ. Special Revenue	456	84,132	2,863	113,835	-	38,392	-
Higher Education Endowment	-	44,678	19	26,707	-	3	-
Nonmajor Governmental Funds	346,560	13,962	1,001	882,944	-	-	1,129
Workers' Compensation	-	-	-	1,122	325,602	-	-
Higher Educ. Student Services	-	22,769	-	213	-	169,423	-
Nonmajor Enterprise Funds	57,820	-	-	137,972	-	-	46,001
Internal Service Funds	-	4,682	-	7,634	-	106	-
Private Purpose Trust	118,229	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 524,365</b>	<b>\$ 182,266</b>	<b>\$ 3,883</b>	<b>\$ 2,060,851</b>	<b>\$ 325,602</b>	<b>\$ 207,924</b>	<b>\$ 47,910</b>

Additionally, there are transfers within the state's Pension trust funds. The transfers from Pension trust funds are into other Pension trust funds.

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 Liquor Revolving Account and the State Lottery Account as required by law, and 5) transfer amounts to and from the General Fund as required by law.

Internal Service Funds	Private Purpose Trust	<b>Totals</b>
\$ 9,424	\$ 28,237	\$ 942,208
1,691	-	241,369
-	-	71,407
253	-	1,245,849
-	-	326,724
4,280	-	196,685
-	-	241,793
12,242	-	24,664
-	-	118,229
<b>\$ 27,890</b>	<b>\$ 28,237</b>	<b>\$ 3,408,928</b>

## Note 6 - Capital Assets

### A. Governmental Capital Assets

The following is a summary of governmental capital asset activity for the year ended June 30, 2005 (expressed in thousands):

<b>Capital Assets</b>	<b>Balances July 1, 2004</b>	Additions	Deletions	<b>Balances June 30, 2005</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 1,184,360	27,270	(4,304)	\$ 1,207,326
Highway System Infrastructure**	12,512,825	825,884	-	13,338,709
Construction in Progress	1,031,962	543,806	(324,372)	1,251,396
Art Collections, Library Reserves, and Museum and Historical Collections	104,716	1,515	(5,894)	100,337
<b>Total capital assets, not being depreciated</b>	<b>14,833,863</b>			<b>15,897,768</b>
<b>Capital assets, being depreciated:</b>				
Buildings	6,663,761	455,702	(20,866)	7,098,597
Accumulated depreciation*	(2,163,168)	(199,172)	881	(2,361,459)
<b>Net buildings</b>	<b>4,500,593</b>			<b>4,737,138</b>
Furnishings, equipment, and collections	3,123,156	242,374	(73,160)	3,292,370
Accumulated depreciation*	(1,809,481)	(175,531)	45,519	(1,939,493)
<b>Net furnishings, equipment and collections</b>	<b>1,313,675</b>			<b>1,352,877</b>
Other improvements	764,255	129,980	(1,187)	893,048
Accumulated depreciation*	(273,996)	(40,860)	180	(314,676)
<b>Net other improvements</b>	<b>490,259</b>			<b>578,372</b>
Infrastructure (other)**	315,734	599,739	-	915,473
Accumulated depreciation	(110,385)	(10,687)	-	(121,072)
<b>Net infrastructure (other)</b>	<b>205,349</b>			<b>794,401</b>
<b>Total capital assets, being depreciated, net</b>	<b>6,509,876</b>			<b>7,462,788</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 21,343,739</b>			<b>\$ 23,360,556</b>

\*Beginning balances have been restated to reflect prior period error corrections.

\*\*The state first reported infrastructure under the new requirements of the Governmental Accounting Standards Board Statement Number 34 in Fiscal Year 2002. The state accounts for the state highway system and emergency airfields using the modified approach and reports them as non-depreciable highway system infrastructure. The state's short rail line is depreciated and is reported as depreciable infrastructure (other). Under the modified approach, rather than recording depreciation, asset condition is reported. The rating scales for pavements, bridges, and airfields are further explained in the Required Supplementary Information.

**B. Business-type Capital Assets**

The following is a summary of business-type capital asset activity for the year ended June 30, 2005, (expressed in thousands):

<b>Capital Assets</b>	<b>Balances July 1, 2004</b>	Additions	Deletions	<b>Balances June 30, 2005</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 100,626	5,484	(19,217)	\$ 86,893
Construction in Progress	87,002	91,757	(94,438)	84,321
Art Collections	37	-	(2)	35
<b>Total capital assets, not being depreciated</b>	<b>187,665</b>			<b>171,249</b>
<b>Capital assets, being depreciated:</b>				
Buildings	1,533,326	134,459	(29,071)	1,638,714
Accumulated depreciation	(434,007)	(40,047)	1,352	(472,702)
<b>Net buildings</b>	<b>1,099,319</b>			<b>1,166,012</b>
Furnishings, equipment, and collections	326,602	49,445	(11,375)	364,672
Accumulated depreciation	(207,987)	(30,610)	8,582	(230,015)
<b>Net furnishings, equipment, and collections</b>	<b>118,615</b>			<b>134,657</b>
Other Improvements	35,567	11,803	(2,257)	45,113
Accumulated depreciation	(12,688)	(1,582)	51	(14,219)
<b>Net other improvements</b>	<b>22,879</b>			<b>30,894</b>
Infrastructure (other)	33,949	4,348	(5,340)	32,957
Accumulated depreciation	(10,393)	(1,070)	828	(10,635)
<b>Net infrastructure (other)</b>	<b>23,556</b>			<b>22,322</b>
<b>Total capital assets, being depreciated, net</b>	<b>1,264,369</b>			<b>1,353,885</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 1,452,034</b>			<b>\$ 1,525,134</b>

**C. Depreciation**

Depreciation expense for the year ended June 30, 2005, was charged to functions of the primary government as follows (expressed in thousands):

	Amount
Governmental Activities:	
General Government	\$ 38,741
Education - Elementary and Secondary (K-12)	2,837
Education - Higher Education	222,764
Human Services	26,724
Adult Corrections	24,212
Natural Resources and Recreation	42,882
Transportation	68,090
Total Depreciation Expense - Governmental Activities	\$ 426,250 *
Business-Type Activities:	
Workers' Compensation	\$ 3,202
Unemployment Compensation	-
Higher Education Student Services	54,934
Health Insurance Programs	201
Other	14,972
Total Depreciation Expense - Business-Type Activities	\$ 73,309

\*Includes \$52.8 million internal service fund depreciation that was allocated to functions as a part of the net internal service fund activity.

**D. Construction in Progress**

Major construction commitments of the state at June 30, 2005, are as follows (expressed in thousands):

**D. Construction in Progress**

<b>Agency/Project Commitments</b>	<b>Construction In Progress June 30, 2005</b>	<b>Remaining Project Commitments</b>
Department of Personnel:		
Human resource management system	\$ 31,699	\$ 30,950
Department of General Administration:		
Legislative and other buildings rehab., repairs & expansion, and other projects	237,004	210,278
Military Department:		
Readiness centers and other projects	15,893	13,192
Department of Social and Health Services:		
State hospital & juvenile rehab construction & renovations, and other projects	107,433	11,004
Department of Corrections:		
Correctional centers construction, improvements, and other projects	243,219	187,180
Department of Transportation:		
State Highway System, maintenance facilities, and ferry vessels and terminals	199,138	965,966
Department of Fish and Wildlife:		
Hatchery renovations, site improvements, and other projects	20,742	8,174
Department of Natural Resources:		
Light industrial park	1,870	8,288
Higher Education Facilities:		
University of Washington	239,834	110,736
Washington State University	48,921	405,393
Eastern Washington University	28,483	13,346
Central Washington University	48,954	23,271
The Evergreen State College	7,268	12,590
Western Washington University	20,846	9,005
Community and Technical Colleges	77,868	248,148
Other Agencies Miscellaneous Projects	6,545	4,740
<b>Total Construction in Progress</b>	<b>\$ 1,335,717</b>	<b>\$ 2,262,261</b>

## Note 7 – Long-Term Liabilities

### A. Bonds Payable

Bonds payable at June 30, 2005, 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 State Legislature or by a body designated by statute (presently the State Finance Committee). Legislative authorization arises from an affirmative vote of 60 percent of both legislative houses without voter consent, or from an affirmative vote of more than 50 percent of both legislative houses and a majority of the voters voting thereon. The State Finance Committee debt authorization does not require voter approval; however, it is limited to providing for: (1) temporary deficiencies in the state treasury (must be discharged within 12 months of the date of incurrence); (2) appropriations already made by the legislature; or (3) refunding of outstanding obligations of the state.

#### Legal Debt Limitation

The State Constitution and current statutes generally limit debt authorized in the preceding procedures. The limitations prohibit the issuance of new debt if it would cause the maximum annual debt service, on all thereafter-outstanding general obligation debt, to exceed a specified percentage of the arithmetic mean of general state revenues for the preceding three fiscal years. These limitations are on the incurrence of new debt, not on the amount of debt service that may be paid by the state in future years.

As certified by the State Treasurer, the maximum debt authorization subject to limitation for Fiscal Year 2005 was \$7.0 billion, under both the then current constitutional and statutory limitations. This computation excludes specific bond issues and types, which are not secured by general state revenues. Based

on the debt limitation calculation, the debt service requirements as of June 30, 2005, did not exceed the authorized debt service limitation.

#### Authorized but unissued

The state had a total of \$6.25 billion in bonds authorized but unissued as of June 30, 2005, for the purpose of public building and schools construction and renovation, higher education purposes, and highways construction and improvement.

#### Interest rates

Interest rates on fixed rate general obligation bonds ranged from 2.0 to 7.0 percent. Variable rate demand obligations (VRDO) of \$168.2 million as of June 30, 2005, are remarketed on a weekly basis. Interest rates on revenue bonds range from 1.5 to 7.4 percent.

#### DEBT SERVICE REQUIREMENTS TO MATURITY

**General obligation bonds** have been authorized and issued primarily to provide funds for:

- Acquisition and construction of capital facilities for public and common schools, higher education, public and mental health, corrections, natural resource conservation;
- Construction and improvements of highways, roads, bridges, ferries, and other transit improvements;
- Assistance to municipalities for construction of water and sewage treatment facilities and corrections facilities; and
- Refunding of general obligation bonds outstanding.

Outstanding general obligations bonds are presented in the Washington State Treasurer's Annual Report for 2005. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington, 98504-0200, phone number (360) 902-9000 or TTY (360) 902-8963.

Total debt service requirements to maturity for general obligation bonds, as of June 30, 2005, are as follows (expressed in thousands):

General Obligation Bonds	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
<b>By Fiscal Year:</b>						
2006	\$ 454,979	\$ 458,460	\$ 17,955	\$ 5,451	\$ 472,934	\$ 463,911
2007	458,153	452,986	19,150	4,436	477,303	457,422
2008	476,116	430,329	20,655	3,333	496,771	433,662
2009	483,150	408,970	11,335	4,899	494,485	413,869
2010	465,825	390,057	8,987	4,432	474,812	394,489
2011-2015	2,321,894	1,659,028	30,951	12,288	2,352,845	1,671,316
2016-2020	2,435,367	1,258,797	29,366	61,951	2,464,733	1,320,748
2021-2025	1,823,851	670,863	-	-	1,823,851	670,863
2026-2030	922,336	344,494	-	-	922,336	344,494
2031-2035	-	-	-	-	-	-
<b>Total Debt Service Requirements</b>	<b>\$ 9,841,671</b>	<b>\$ 6,073,984</b>	<b>\$ 138,399</b>	<b>\$ 96,790</b>	<b>\$ 9,980,070</b>	<b>\$ 6,170,774</b>

**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. These bonds pledge income derived from acquired or constructed assets for retirement of the debt and payment of the related interest.

secured by the TSA's right to receive 29.2 percent of the state's tobacco settlement revenue stream. These bonds are reported within governmental activities. The state's Colleges and Universities issue revenue bonds for the purpose of housing, dining, parking, and student facilities construction. These bonds are reported within governmental and business-type activities as applicable.

The Tobacco Settlement Authority (TSA), a blended component unit of the state, issued revenue bonds

Total debt service requirements for revenue bonds to maturity as of June 30, 2005, are as follows (expressed in thousands):

Revenue Bonds	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
<b>By Fiscal Year:</b>						
2006	\$ 110	\$ 35,128	\$ 13,934	\$ 28,631	\$ 14,044	\$ 63,759
2007	-	35,053	16,133	28,079	16,133	63,132
2008	13,270.0	34,977	16,836	27,361	30,106	62,338
2009	12,750	34,359	17,690	26,595	30,440	60,954
2010	12,400	33,741	18,196	25,690	30,596	59,431
2011-2015	86,640	156,587	108,003	114,913	194,643	271,500
2016-2020	103,085	126,415	129,682	87,973	232,767	214,388
2021-2025	120,280	91,171	126,726	58,131	247,006	149,302
2026-2030	153,860	50,037	95,651	29,331	249,511	79,368
2031-2035	61,180	4,605	42,382	5,157	103,562	9,762
<b>Total Debt Service Requirements</b>	<b>\$ 563,575</b>	<b>\$ 602,073</b>	<b>\$ 585,233</b>	<b>\$ 431,861</b>	<b>\$ 1,148,808</b>	<b>\$ 1,033,934</b>

**DEBT REFUNDINGS**

When advantageous and permitted by statute and bond covenants, the State Finance Committee authorizes the refunding of outstanding 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 has been removed from the government-wide statement of net assets.

**CURRENT YEAR DEFEASANCES**

Governmental Activities:

On May 3, 2005, the state issued \$343.6 million of Various Purpose General Obligation Refunding Bonds (Series R-2005A) with an average interest rate of 4.98 percent to refund \$341.6 million of Various Purpose General Obligation Bonds from several different series with an average interest rate of 5.80 percent. The refunding resulted in a \$40.7 million gross debt service savings over the next 20 years and an economic gain of \$31.2 million.

On May 3, 2005, the state issued \$95.8 million in Motor Vehicle Fuel Tax General Obligation Refunding Bonds (Series R-2005B) with an average interest rate of 4.14 percent to refund \$90.8 million of Motor Vehicle Fuel Tax General Obligation bonds from several series with an average interest rate of 5.64 percent. The refunding resulted in an \$11.8 million gross debt service savings over the next 20 years and an economic gain of \$8.6 million.

Business-Type Activities:

On September 29, 2004, the University of Washington issued \$4.57 million in Parking System Revenue and Refunding Bonds (Series 2004) with an average interest rate of 3.43 percent to refund \$3.96 million of Parking System Revenue Bonds with an average interest rate of 6.13 percent. The refunding resulted in \$4 thousand gross debt service savings over the next 11 years and an economic loss of \$1 thousand.

On April 20, 2005, Washington State University issued \$16.3 million in Housing and Dining Services Revenue and Refunding Bonds (Series 2005) with an average interest rate of 4.45 percent, to refund \$14.73 million of

Housing and Dining Services Revenue Bonds with an average interest rate of 5.85 percent. The refunding resulted in a \$1.3 million gross debt service savings over the next 25 years and an economic gain of \$829 thousand.

On May 11, 2005, Washington State University issued \$8.84 million in Parking Services Revenue and Refunding Bonds (Series 2005), with an average interest rate of 4.12 percent, to refund \$7.99 million of Parking Services Revenue Bonds with an average interest rate of 5.71 percent. The refunding resulted in \$732 thousand gross debt service savings over the next 19 years and an economic gain of \$513 thousand.

On May 24, 2005, Western Washington University issued \$12.6 million in Housing and Dining Revenue and Refunding bonds (Series 2005), with an average interest rate of 3.88 percent, to refund \$11.2 million of Housing and Dining Revenue Bonds with an average interest rate of 5.71 percent. The refunding resulted in \$3.2 million gross debt service savings over the next 20 years and an economic gain of \$2.8 million.

On June 7, 2005, the University of Washington issued \$43.6 million in Student Facilities Fee Revenue and Refunding Bonds (Series 2005) with an average interest rate of 4.82 percent, to refund \$41.6 million of Student Facilities Fee Revenue Bonds with an average interest rate of 5.77 percent. The refunding resulted in \$3.6 million gross debt service savings over the next 25 years and an economic gain of \$2.1 million.

**PRIOR YEAR DEFEASANCES**

In prior years, the state defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the prior bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the state's financial statements.

General Obligation Bond Debt:

On June 30, 2005, \$479.7 million of general obligation bonded debt outstanding is considered defeased.

Revenue Bond Debt:

On June 30, 2005, \$69.5 million of revenue bonded debt outstanding is considered defeased.

**B. Certificates of Participation**

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, 2005, are as follows (expressed in thousands):

<b>Certificates of Participation</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
<b>By Fiscal Year:</b>						
2006	\$ 31,629	\$ 15,340	\$ 37,524	\$ 18,198	\$ 69,153	\$ 33,538
2007	25,456	12,324	16,291	10,389	41,747	22,713
2008	23,150	11,337	15,678	9,718	38,828	21,055
2009	25,087	10,418	18,960	9,052	44,047	19,470
2010	23,097	9,365	17,761	8,222	40,858	17,587
2011-2015	129,800	34,760	92,012	24,640	221,812	59,400
2016-2020	45,761	6,967	42,218	6,651	87,979	13,618
2021-2025	10,538	875	10,203	847	20,741	1,722
2026-2030	-	-	-	-	-	-
2031-2035	-	-	-	-	-	-
<b>Total Debt Service Requirements</b>	<b>\$ 314,518</b>	<b>\$ 101,386</b>	<b>\$ 250,647</b>	<b>\$ 87,717</b>	<b>\$ 565,165</b>	<b>\$ 189,103</b>

**C. Claims and Judgments**

Claims and judgments are materially related to three activities: workers' compensation, risk management, and health insurance. Workers' compensation and health insurance are business-type activities, and risk management is a governmental activity. 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 1E.

Workers' Compensation

Changes in the balances of workers' compensation claims liabilities during Fiscal Years 2004 and 2005 were as follows (expressed in thousands):

<b>Workers' Compensation Fund</b>	Balances	Incurred		Balances
	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
FY 2004	\$ 15,863,852	2,267,506	(1,540,260)	\$ 16,591,098
FY 2005	\$ 16,591,098	2,289,923	(1,602,126)	\$ 17,278,895

At June 30, 2005, \$30.6 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of \$17.3 billion. These claims are discounted at assumed interest rates of 2.5 percent (time loss and medical) to 6.5 percent (pensions) to arrive at a settlement value that is net of third party recoveries.

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 \$8.6 billion are fully funded by long-term investments, net of obligations under securities lending agreements.

The claims and claim adjustment liabilities of \$17.3 billion, as of June 30, 2005, include \$8.7 billion for supplemental pension cost of living adjustments (COLAs) that by statute are not to be fully funded.

Risk Management

Changes in the balances of risk management claims liabilities during Fiscal Years 2004 and 2005 were as follows (expressed in thousands):

<b>Risk Management Fund</b>	Balances	Incurred		Tort	Balances
	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	Defense Payments	End of Fiscal Year
FY 2004	\$ 498,914	59,882	(29,755)	(15,710)	\$ 513,331
FY 2005	\$ 513,331	34,857	(23,130)	(16,945)	\$ 508,113

Risk Management reports claims and judgment liabilities 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. It also includes an actuarial estimate of loss adjustment expenses for tort defense. Because actual claims 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. Claims 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 property and casualty matters. As of June 30, 2005, outstanding and actuarially determined claims against the state and its public authorities were \$508.1 million for which the state has recorded a liability. The state is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined claims. At June 30, 2005, the Risk Management Fund held \$77.6 million in cash and pooled investments designated for payment of these claims under the state's Self Insurance Liability Program.

**Health Insurance**

Changes in the balances of Health Insurance claim liabilities during Fiscal Years 2004 and 2005 were as follows (expressed in thousands):

<b>Health Insurance Fund</b>	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
FY 2004	\$ 47,934	431,539	(412,594)	\$ 66,879
FY 2005	\$ 66,879	524,106	(512,556)	\$ 78,429

The Health Insurance Fund establishes a liability when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for claims that have been incurred but not reported. Because actual claims liabilities depend on various complex factors, the process used in computing claims liabilities does not always result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

At June 30, 2005, health insurance claims liabilities totaling \$78.4 million are fully funded with cash and investments, net of obligations under securities lending agreements

**D. Leases**

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 state 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.

Leased land, buildings and equipment under capital leases as of June 30, 2005, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Land (non-depreciable)	\$ 1,918	\$ -
Buildings	4,258	6,271
Equipment	3,327	131
Less: Accumulated Depreciation	(1,927)	(944)
<b>Totals</b>	<b>\$ 7,576</b>	<b>\$ 5,458</b>

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2005, (expressed in thousands):

<b>Capital and Operating Leases</b>	Capital Leases		Operating Leases	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
<b>By Fiscal Year:</b>				
2006	\$ 6,397	\$ 3,969	\$ 113,429	\$ 25,556
2007	5,219	4,554	100,256	24,265
2008	3,204	4,264	81,230	21,862
2009	3,256	4,141	71,327	20,803
2010	2,565	1,887	61,675	20,406
2011-2015	5,362	2,821	198,651	96,461
2016-2020	550	1,925	83,608	94,500
2021-2025	137	816	69,856	98,000
2026-2030	-	-	56,589	103,000
2031-2035	-	-	43,731	120,000
<b>Total Future Minimum Payments</b>	26,690	24,377	880,352	624,853
<b>Less: Executory costs and interest costs</b>	3,181	3,689	-	-
<b>Net Present Value of future minimum lease payments</b>	\$ 23,509	\$ 20,688	\$ 880,352	\$ 624,853

The total operating lease rental expense for Fiscal Year 2005 was \$201.8 million.

**E. Long-Term Liability Activity**

Long-term liability activity for the Fiscal Year 2005 (expressed in thousands) was as follows:

	Beginning			Ending	Amounts
	Balance			Balance	Due Within
<b>Governmental Activities:</b>	July 1, 2004	Additions	Reductions	June 30, 2005	One Year
Long-term Debt:					
GO Bonds Payable -					
General obligation (GO) bonds	\$ 8,522,375	1,413,295	838,990	\$ 9,096,680	\$ 443,245
GO - zero coupon bonds (principal)	651,006	110,002	16,017	744,991	11,734
Subtotal - GO Bonds payable	9,173,381	1,523,297	855,007	9,841,671	454,979
Accreted Interest - GO - zero coupon bonds	178,241	22,817	-	201,058	-
Revenue Bonds Payable	510,655	60,720	7,800	563,575	110
Less: Deferred amounts for issuance discounts	(12,770)	-	(773)	(11,997)	-
Less: Unamortized bond issuance costs	(2,152)	-	(131)	(2,021)	-
<b>Total Bonds Payable</b>	<b>9,847,355</b>	<b>1,606,834</b>	<b>861,903</b>	<b>10,592,286</b>	<b>455,089</b>
Other Liabilities -					
Certificates of participation	274,061	74,199	33,742	314,518	31,629
Claims and judgments	583,332	173,509	156,255	600,586	111,267
Installment contracts	221	-	110	111	111
Leases	27,743	680	4,914	23,509	6,397
Compensated absences	412,295	294,192	268,239	438,248	42,408
Unfunded pension obligations	55,500	11,725	-	67,225	-
Other	124,831	344,173	362,613	106,391	102,434
<b>Total Other Liabilities</b>	<b>1,477,983</b>	<b>898,478</b>	<b>825,873</b>	<b>1,550,588</b>	<b>294,246</b>
<b>Total</b>	<b>\$11,325,338</b>	<b>2,505,312</b>	<b>1,687,776</b>	<b>\$ 12,142,874</b>	<b>\$ 749,335</b>

For Governmental Activities, payments on the certificates of participation are being repaid directly from various governmental funds. The compensated absences liability will be liquidated approximately 53 percent by the General Fund, 24 percent by the Higher Education Special Revenue Funds, and the balance by various other governmental funds. The claims and judgments liability will be liquidated primarily through the risk management fund, an internal service fund. Leases, installment contract obligations, and other liabilities will be repaid from various other governmental funds.

Revenue bonds outstanding at June 30, 2005 of \$502.9 million were issued by the Tobacco Settlement Authority (TSA), which is a blended component unit of the state. 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, and undistributed TSA bond proceeds. 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.

State of Washington

<b>Business-Type Activities</b>	Beginning			Ending	Amounts
	Balance			Balance	Due Within
	July 1, 2004	Additions	Reductions	June 30, 2005	One Year
Long-term Debt:					
GO Bonds Payable					
General obligation (GO) bonds	\$ 126,100	-	16,960	\$ 109,140	\$ 17,955
GO - zero coupon bonds (principal)	29,259	-	-	29,259	-
Subtotal - GO Bonds payable	155,359	-	16,960	138,399	17,955
Accreted Interest - GO - zero coupon bonds	20,744	3,092	-	23,836	-
Revenue Bonds Payable	520,179	144,470	79,416	585,233	13,934
Less: Deferred amounts on refunding	(3,891)	(5,790)	(273)	(9,408)	-
Plus: Unamortized amounts issuance premiums	1,616	4,833	2,734	3,715	-
Less: Deferred amounts for issuance discounts	(1,638)	(522)	(313)	(1,847)	-
Less: Unamortized bond issuance costs	(1,742)	(544)	(236)	(2,050)	-
Total Bonds Payable	690,627	145,539	98,288	737,878	31,889
Other liabilities -					
Certificates of participation	246,550	9,530	5,433	250,647	37,524
Less: Deferred amounts for issuance discounts	(1,904)	146	(1)	(1,757)	-
Claims and judgments	16,661,334	2,303,849	1,603,918	17,361,266	1,675,438
Lottery prize annuities payable	498,034	37,503	74,777	460,760	68,705
Tuition benefits payable	462,294	157,397	18,402	601,289	-
Leases	14,245	17,415	10,972	20,688	3,969
Compensated absences	41,564	24,591	20,840	45,315	17,986
Other	32,501	51,901	64,968	19,433	18,751
Total Other Liabilities	17,954,618	2,602,332	1,799,309	18,757,641	1,822,373
<b>Total</b>	<b>\$18,645,245</b>	<b>2,747,871</b>	<b>1,897,597</b>	<b>\$ 19,495,519</b>	<b>\$ 1,854,262</b>

**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 state 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 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 table below presents the latest available balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities	Principal Balance
Washington State Housing Finance Commission	\$ 2,422,245
Washington Higher Education Facilities Authority	382,206
Washington Health Care Facilities Authority	3,100,000
Washington Economic Development Finance Authority	376,020
<b>Total No Commitment Debt</b>	<b>\$ 6,280,471</b>

**Note 9 – Fund Balances Reserved for Other Specific Purposes**

The nature and purposes of fund balances reserved for other specific purposes as of June 30, 2005, are listed below (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Totals
<b>Reserved for Other Specific Purposes:</b>					
Long-term student loans	\$ -	\$ 95,099	\$ -	\$ -	\$ 95,099
Investments with trustees	608	-	-	459	1,067
Long-term receivables	34,518	373	-	1,315,778	1,350,669
Long-term investments	-	152,620	-	60,174	212,794
Petty cash	655	4,359	-	835	5,849
<b>Total Reserved for Other Specific Purposes</b>	<b>\$ 35,781</b>	<b>\$ 252,451</b>	<b>\$ -</b>	<b>\$ 1,377,246</b>	<b>\$ 1,665,478</b>

**Note 10 - Deficit Net Assets**

At June 30, 2005, there were two proprietary funds with deficit net assets.

The Workers' Compensation Fund, an enterprise fund, had deficit net assets of \$6.6 billion at June 30, 2005. The fund is used to account for the workers' compensation program, which provides time-loss, medical, disability, and pension payments to qualifying individuals sustaining work-related injuries. 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 cost-of-living adjustments (COLA) 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.

The following schedule details the changes in total net assets for the Workers' Compensation Fund during the fiscal year ended June 30, 2005 (expressed in thousands):

<b>Workers' Compensation Fund</b>	<b>Net Assets (Deficit)</b>
<b>Balance, July 1, 2004</b>	\$ (6,942,020)
Fiscal Year 2005 activity	383,940
<b>Balance, June 30, 2005</b>	<b>\$ (6,558,080)</b>

The Risk Management Fund, an internal service fund, had deficit net assets of \$430.8 million at June 30, 2005. The Risk Management Fund is used to account for the claims, torts, and judgments generally arising from automobile and general government operations, and loss adjustment expenses for tort defense. These costs are supported by premium assessments to state agencies that are designed to cover current and future claim losses. Outstanding and incurred but not reported claims are actuarially determined and accrued, resulting in the deficit net assets.

The Self Insurance Liability Program, initiated in 1990, is intended to provide funds for the payment of all claims and loss adjustment expenses for tort defense.

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 claims.

The following schedule details the changes in net assets for the Risk Management Fund during the fiscal year ended June 30, 2005 (expressed in thousands):

<b>Risk Management Fund</b>	<b>Net Assets (Deficit)</b>
<b>Balance, July 1, 2004</b>	\$ (445,029)
Fiscal Year 2005 activity	14,224
<b>Balance, June 30, 2005</b>	<b>\$ (430,805)</b>

**Note 11 - Retirement Plans**

**A. General**

The state of Washington, through the Department of Retirement Systems, the Board for Volunteer Fire Fighters, and the Administrative Office of the Courts, administers 12 defined benefit retirement plans, three combination defined benefit/defined contribution retirement plans, and one defined contribution retirement plan covering eligible employees of the state and local governments.

**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.

**Investments**

Pension plan investments are presented 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. Certain pension trust fund investments, including real estate and private equity, are valued based on appraisals or independent advisors. The pension funds have no investments of any commercial or industrial organization whose market value exceeds 5 percent of each plan's net assets. Additional disclosure describing investments is provided in Note 3.

**DEPARTMENT OF RETIREMENT SYSTEMS**

As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers seven retirement systems comprising 11 defined benefit pension plans and three combination 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
- 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, and LEOFF systems and plans was funded by an employer rate of .19 percent of employee salaries. Administration of the WSPRS, JRS, and Judges plans is funded by means of legislative appropriations.

The Department of Retirement Systems prepares a stand-alone financial report. Copies of the report that include financial statements and required supplementary information may be obtained by writing to Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380.

**BOARD FOR VOLUNTEER FIRE FIGHTERS**

As established in chapter 41.24 RCW, the Washington Board for Volunteer Fire Fighters' 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**

In addition to the retirement plans administered by the state of Washington, eligible higher education state employees may participate in a Higher Education Retirement Plan, privately administered defined contribution plans.

Plan descriptions, funding policies, and a table of employer contributions required and paid for defined benefit plans follow at Notes 11.B through D respectively. For information related to defined contribution plans, refer to Note 11.I. Details on plan net assets and changes in plan net assets of pension plans administered by the state are presented at Note 11.J.

Membership of each state administered plan consisted of the following at September 30, 2004, the date of the latest actuarial valuation for all plans except for VFFRPF which had an actuarial valuation performed on December 31, 2004.

Number of Participating Members					
Defined Benefit Plans Administered by the State	Retirees and Beneficiaries Receiving Benefits	Terminated Members Entitled to but not yet Receiving Benefits	Active Plan Members Vested	Active Plan Members Nonvested	Total Members
PERS 1	54,568	2,993	16,605	1,224	75,390
PERS 2	12,106	16,754	76,987	41,585	147,432
PERS 3	222	1,284	9,447	10,408	21,361
TRS 1	34,624	1,475	9,617	245	45,961
TRS 2	1,127	2,510	6,835	635	11,107
TRS 3	541	2,761	19,979	29,323	52,604
SERS 2	1,097	2,428	15,880	4,544	23,949
SERS 3	481	2,035	11,060	18,370	31,946
LEOFF 1	8,110	7	848	0	8,965
LEOFF 2	432	521	11,231	3,523	15,707
WSPRS 1	762	100	855	142	1,859
WSPRS 2	-	-	-	60	60
JRS	127	2	19	-	148
Judges	16	-	-	-	16
JRA	2	16	197	-	215
VFFRPF	3,110	4,657	4,862	7,247	19,876
<b>Total</b>	<b>117,325</b>	<b>37,543</b>	<b>184,422</b>	<b>117,306</b>	<b>456,596</b>

Following is a summary of the number of government employers participating in state administered retirement plans as of June 30, 2005.

Number of Participating Employers				
Plan	State Agencies	School Districts	Counties/ Municipalities	Other Political Subdivisions
PERS 1	153	241	202	230
PERS 2	167	-	270	454
PERS 3	148	-	183	233
TRS 1	81	281	-	-
TRS 2	33	270	-	-
TRS 3	40	292	-	-
SERS 2	9	289	-	-
SERS 3	10	289	-	-
LEOFF 1	-	-	91	20
LEOFF 2	8	-	220	141
WSPRS 1	1	-	-	-
WSPRS 2	1	-	-	-
JRS	3	-	-	-
Judges	-	-	-	-
JRA	3	-	-	-
VFFRPF	-	-	-	650

Employers can participate in multiple systems and/or plans.

**B. Plan Description**

**Public Employees' Retirement System (PERS)**

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. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to 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. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3.

PERS is comprised of three separate plans for reporting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. 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 to be a single plan for reporting purposes.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and 2 defined benefit plans accrue interest at a rate specified by DRS. During Fiscal Year 2005, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in PERS Plan 1 and 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment. PERS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings. Employees in PERS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from the investment of those contributions upon separation from PERS-covered employment.

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, 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. The Higher Education Retirement Plans are not administered by DRS. Approximately 51 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

PERS Plan 1 retirement benefits are vested after an employee completes 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 annual benefit is 2 percent of the average final compensation (AFC) per year of service (AFC is based on the greatest compensation during any 24 eligible consecutive compensation months), capped at 60 percent.

PERS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including 12 months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2.

Refer to section I of this note for a description of the defined contribution component of PERS Plan 3.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any worker's compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of membership service is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3 the allowance amount is 1 percent of the AFC for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option.

Legislation passed in the 2005 session, effective April 21, 2005, allows PERS Plan 2 and Plan 3 members to opt out of plan membership if deemed to be terminally ill, with less than five years to live (Chapter 131 Laws of 2005).

The PERS Plan 1 veteran's definition was expanded to include conflicts in the Persian Gulf and Afghanistan (Chapter 255, Laws of 2005).

Emergency Medical Technicians (EMTs) in PERS may transfer into LEOFF Plan 2 and have the option of transferring their past service (Chapter 459, Laws of 2005).

There were no other material changes in PERS benefit provisions for the fiscal year ended June 30, 2005.

PERS pension benefit provisions have been established by chapter 41.40 RCW.

**Teachers' Retirement System (TRS)**

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 combination defined benefit/defined contribution plan. TRS participants who joined the system by September 30, 1977, are Plan 1 members. 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

participants joining the system on or after July 1, 1996, and those who exercised their transfer option, are members of TRS Plan 3.

TRS is comprised of three separate plans for reporting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. 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 to be a single plan for reporting purposes.

TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the TRS Plan 1 and 2 defined benefit plans accrue interest at a rate specified by DRS. During Fiscal Year 2005, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in TRS Plan 1 and 2 can elect to withdraw total employee contributions and interest thereon upon separation from TRS-covered employment. TRS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings. Employees in TRS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from the investment of those contributions upon separation from TRS-covered employment.

TRS was legislatively established in 1938. Eligibility for membership requires service as a certificated employee in grades K-12 in the public schools. TRS is comprised principally of non-state employees. TRS retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

TRS Plan 1 retirement benefits are vested after an employee completes 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 annual pension is 2 percent of the average final compensation (AFC) per year of service (AFC is based on the greatest compensation during the highest of any consecutive two compensation contract years), capped at 60 percent.

TRS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with

an allowance of 2 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including 12 months that were earned after age 54; or five service credit years earned in TRS Plan 2 by July 1, 1996, and transferred to Plan 3. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. Refer to section I of this note for a description of the defined contribution component of TRS Plan 3.

TRS Plan 1 provides death and temporary disability benefits. TRS Plan 1 members receive the following additional lump sum death benefits: retired members-\$400 (if retired with ten years of full-time membership), \$400 (if inactive with ten years of membership), active members \$600 (if employed full-time at time of death). Members on temporary disability receive a monthly payment of \$180 payable for up to two years, for the same occurrence. After five years of service, members on a disability retirement receive an allowance based on their salary and service to date of disability. Members enrolled in TRS prior to April 25, 1973, may elect a benefit based on the formula in effect at that time.

TRS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3, the allowance amount is 1 percent of the AFC for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option.

Legislation passed in the 2005 session, effective April 21, 2005, allows TRS Plan 2 and Plan 3 members to opt out of plan membership if deemed to be terminally ill,

with less than five years to live (Chapter 131, Laws of 2005).

The TRS Plan 1 Certified Educational Staff Associates (ESAs) benefit formula was improved by annualizing the salaries of part-time ESAs when calculating their average final compensation so they may receive proportionate retirement benefits (Chapter 23, Laws of 2005).

There were no other material changes in TRS benefit provisions for the fiscal year ended June 30, 2005.

TRS pension benefit provisions have been established by chapters 41.32 and 41.34 RCW.

**School Employees' Retirement System (SERS)**

SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes: Plan 2 is a defined benefit plan and Plan 3 is a combination defined benefit/defined contribution plan. As of September 1, 2000, the membership of classified school employees in PERS Plan 2 was transferred to SERS Plan 2. Those who joined on or after October 1, 1977, and by August 31, 2000, are SERS Plan 2 members unless they exercised an option to transfer their membership to Plan 3. SERS participants joining the system on or after September 1, 2000, and those who exercised their transfer option, are members of SERS Plan 3.

SERS is comprised of two separate plans for reporting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. 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 to be a single plan for reporting purposes.

SERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the SERS Plan 2 defined benefit plan accrue interest at a rate specified by DRS. During Fiscal Year 2005, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in SERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from SERS-covered employment. SERS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings. Employees in SERS Plan 3 can elect to withdraw total employee

contributions adjusted by earnings and losses from the investment of those contributions upon separation from SERS-covered employment.

The Legislature established SERS in 2000. Membership in the system includes all classified employees of school districts or educational service districts. SERS is comprised principally of non-state employees. SERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

SERS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation (AFC) per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

SERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including 12 months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to September 1, 2000. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. Refer to section I of this note for a description of the defined contribution component of SERS Plan 3.

SERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3 the allowance amount is 1 percent of the AFC for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option.

Legislation passed in the 2005 session, effective April 21, 2005, allows SERS Plan 2 and Plan 3 members to opt out of plan membership if deemed to be terminally ill, with less than five years to live (Chapter 131, Laws of 2005).

There were no other material changes in SERS benefit provisions for the fiscal year ended June 30, 2005.

SERS pension benefit provisions have been established by chapter 41.35 RCW.

**Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)**

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977, are Plan 2 members.

LEOFF defined benefit 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 state legislative appropriations. Employee contributions to the LEOFF Plan 1 and 2 defined benefit plans accrue interest at a rate specified by DRS. During Fiscal Year 2005, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in LEOFF Plan 1 and 2 can elect to withdraw total employee contributions and interest earnings thereon upon separation from LEOFF-covered employment.

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included prospectively effective July 27, 2003, being a major exception. LEOFF retirement benefit provisions are established in state statute and may be amended only by the state Legislature. 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 for the LEOFF Plan 2 retirement plan.

LEOFF Plan 1 retirement benefits are vested after an employee completes 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:

Term of Service	Percent of FAS
20+	2.0%
10-19	1.5%
5-9	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of FAS. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

LEOFF Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the FAS per year of service (FAS is based on the highest consecutive 60 months). Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 1 provides death and disability benefits. Death benefits for Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS. In addition, a duty death benefit of \$150,000 is provided to Plan 1 and Plan 2 members.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, and to reflect the choice of a survivor option.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This

withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10 percent of FAS. If the 2 percent per year of service disability benefit results in a greater benefit than the minimum 10 percent, the member receives the greater benefit. The first 10 percent of the line-duty disability benefit is not subject to federal income tax. The line-duty disability benefit applies to all LEOFF Plan 2 members disabled in the line of duty on or after January 1, 2001.

Legislation passed in the 2005 session, effective May 13, 2005, removed the actuarial reduction for the difference between age 53 and the age at retirement, if the disability was incurred in the line of duty (Chapter 451, Laws of 2005).

Emergency Medical Technicians (EMTs) in PERS may transfer into LEOFF Plan 2 and have the option of transferring their past service (Chapter 459, Laws of 2005).

LEOFF Plan 1 ex-spouse benefits were enhanced by allowing continuance after the death of the member (Chapter 62, Laws of 2005).

There were no other material changes in LEOFF benefit provisions for the fiscal year ended June 30, 2005.

LEOFF pension benefit provisions have been established by chapter 41.26 RCW.

**Washington State Patrol Retirement System (WSPRS)**

WSPRS is a single-employer defined benefit retirement system. WSPRS participants who joined the system by December 31, 2002, are Plan 1 members. 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.

WSPRS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to WSPRS accrue interest at a rate specified by DRS. During Fiscal Year 2005, the DRS-established rate on employee contributions was 5.5 percent annually, compounded monthly. Employees in WSPRS can elect to withdraw total employee contributions and interest earnings thereon upon separation from WSPRS-covered employment.

WSPRS was established by the Legislature in 1947. Any commissioned employee of the Washington State Patrol is eligible to participate. WSPRS benefits are

established in state statute and may be amended only by the state Legislature.

WSPRS retirement benefits are vested after an employee completes five years of eligible service. Members are eligible for retirement at the age of 55 with five years of service, or after 25 years of service. The annual pension is 2 percent of the average final salary (AFS), capped at 75 percent, per year of service. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

WSPRS benefit provisions include death benefits; however, the system provides no disability benefits. Disability benefits may be available from the Washington State Patrol. If disability benefits are received, the member may be eligible to acquire service credit for the period of disability. In addition, a duty death benefit of \$150,000 is provided to all WSPRS members.

For WSPRS Plan 1 members, AFS is based on the average of the two highest-paid service credit years and excludes voluntary overtime. Death benefits for Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the AFS, plus 5 percent of the AFS for each surviving child, with a limitation on the combined allowances of 60 percent of the AFS; or (2) If no eligible spouse, 30 percent of AFS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of AFS.

For WSPRS Plan 2 members, AFS is based on the average of the five consecutive highest-paid service credit years and excludes both voluntary overtime and cash-outs of annual and holiday leave. At retirement, Plan 2 members also have the option of selecting an actuarially reduced benefit in order to provide for post-retirement survivor benefits. Death benefits for active-duty Plan 2 members consist of the following: (1) If the member is single or has less than 10 years of service, the return of the member's accumulated contributions; or (2) If the member is married, has an eligible child, or has completed 10 years of service, a reduced benefit allowance reflecting a joint and 100 percent survivor option *or* 150 percent of the member's accumulated contributions, at the survivor's option.

Beneficiaries of a WSPRS Plan 2 member with 10 years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not of normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

There were no material changes in WSPRS benefit provisions for the fiscal year ended June 30, 2005.

WSPRS pension benefit provisions have been established by chapter 43.43 RCW.

### Judicial Retirement System (JRS)

JRS is an agent multiple-employer retirement system comprised of a single defined benefit plan. JRS retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings, employer contributions, employee contributions, and a special funding situation in which the state pays the remaining contributions.

During Fiscal Year 2005, the DRS established rate on employee contributions was 5.5 percent, compounded quarterly. JRS employees who are vested in the plan may not elect to withdraw their contributions upon termination. However, any JRS member that left the system before July 1, 1988, or his/her spouse, who was ineligible to receive a benefit at that time, may apply and receive a refund of such contributions from DRS, if said contributions have not been already refunded via a sundry claims appropriation from the state legislature.

JRS was established by the Legislature in 1971. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts on or after August 9, 1971. The system was closed to new entrants on July 1, 1988, with new judges joining PERS Plan 2. JRS retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

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 benefit per year of service calculated as a percent of average final compensation (AFC) is as follows:

Term of Service	Percent of AFC
15+	3.5%
10-14	3.0%

Death and disability benefits are also provided. Eligibility for death benefits while on active duty requires ten or more years of service. A monthly spousal benefit is provided which is equal to 50 percent of the benefit a member would have received if retired. If the member is retired, the surviving spouse receives the greater of 50 percent of the member's retirement benefit or 25 percent of the AFC. For members with ten or more years of service, a disability benefit of 50 percent of AFC is provided.

There were no material changes in JRS benefit provisions for the fiscal year ended June 30, 2005.

JRS pension benefit provisions have been established by chapter 2.10 RCW.

**Judges' Retirement Fund (Judges)**

The Judges' Retirement Fund is an agent multiple-employer retirement system comprised of a single defined benefit plan. There are currently no active members in this plan. Retirement benefits were financed on a pay-as-you-go basis from a combination of past employee contributions, past employer contributions, and a special funding situation in which the state paid the remaining contributions. Retirees did not earn interest on their contributions, nor could they elect to withdraw their contributions upon termination.

The Judges' Retirement Fund was created by the Legislature on March 22, 1937, pursuant to RCW 2.12, to provide retirement benefits to judges of the Supreme Court, Court of Appeals, or Superior Courts of the state of Washington. Subsequent legislation required that all judges first appointed or elected to office on or after August 9, 1971, enter the Judicial Retirement System. Judges' retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Judges' members are eligible for retirement at the age of 70 with ten years of service, or at any age with 18 years of service. Members are eligible to receive a partial retirement allowance after 12 years of credited service as a judge. With the exception of a partial retirement allowance, the member receives a benefit equal to one-half of the monthly salary being received as a judge at the time of retirement, or at the end of the term immediately prior to retirement if retirement occurs after the expiration of the member's term in office. A partial retirement allowance is based on the proportion of the member's 12 or more years of service in relation to 18 years of service.

There were no material changes in Judges' benefit provisions for the fiscal year ended June 30, 2005.

Judges' pension benefit provisions have been established by chapter 2.12 RCW.

**The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF)**

VFFRPF is a cost-sharing multiple-employer retirement system that provides death and active duty disability benefits to all members, and optional defined benefit pension plan payments.

VFFRPF retirement benefits are financed from a combination of investment earnings, member

contributions, municipality contributions, and a special funding situation where the state pays the remaining contributions. VFFRPF members accrue no interest on contributions and may elect to withdraw their contributions upon termination.

The Volunteer Fire Fighters' Relief Act was created by the Legislature in 1935 and the pension portion of the act was added in 1945. Membership in the system 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.

Retirement benefits are established in state statute and may be amended only by the state Legislature. Since retirement benefits cover volunteer service, benefits are paid based on years of service not salary. Members are vested after ten years of service.

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.

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 \$152,000. Funeral and burial expenses are also paid in a lump sum of \$2,000 for members on active duty. Members receiving disability benefits at the time of death shall be paid \$500. Members on active duty shall receive disability payments of \$2,550 per month for up to six months; thereafter, payments are reduced. Disabled members receive \$1,275 per month, their spouse \$255, and dependent children \$110. Benefit provisions for VFFRPF are established under the authority of chapter 41.24 RCW.

Effective July 1, 2001, the disability income benefits and the maximum survivor benefits under the Relief Plan are increased for increases in the CPI.

As of July 24, 2005 the annual fee that each municipal corporation must pay for Relief Plan members increases from \$10 to \$30 (Chapter 37, Laws of 2005).

There were no other material changes in VFFRPF benefit provisions for the fiscal year ended June 30, 2005.

**C. Funding Policies**

Contributions towards the amortization of the PERS 1 and TRS 1 unfunded actuarial accrued liability are suspended for the 2003-2005 and 2005-2007 biennia.

The estimated value of future gain-sharing benefits is included in the liabilities for accounting disclosure purposes. However, the actual contribution rates at the close of the fiscal year ending 2005 were based on the 2003 actuarial valuations, which did not include the value of gain-sharing benefits.

**Public Employees' Retirement System (PERS)**

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. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. There are no employer contributions to PERS Plan 3 defined contribution. Employees who participate in the defined contribution portion of PERS Plan 3 contribute to the defined contribution plan instead of the defined benefit portion of PERS Plan 3. The employee chooses from six rate options provided in statute ranging from 5 to 15 percent, two of the options are graduated rates dependent on the employee's age. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2005 were as follows:

PERS Actual Contribution Rates

	PLAN 1	PLAN 2	PLAN 3
Employer Rates:			
State agencies*	1.38%	1.38%	1.38%**
Local governmental units*	1.38%	1.38%	1.38%**
State gov't elected officials*	1.98%	1.38%	1.38%**
Employee Rates:			
State agencies	6.00%	1.18%	***
Local governmental units	6.00%	1.18%	***
State gov't elected officials	7.50%	1.18%	***

\*The employer rates include an administrative expense rate of 0.19 percent and 0.01 percent pay-as-you-go cost for Plan 1 minimum pension benefit.

\*\*Plan 3 defined benefit portion only.

\*\*\*Variable from 5% to 15% based on rate selected by the member.

**Teachers' Retirement System (TRS)**

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. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state elected officials. . The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. There are no employer contributions to TRS Plan 3 defined contribution. Employees who participate in the defined contribution portion of TRS Plan 3 contribute to the defined contribution plan instead of the defined benefit portion of TRS Plan 3. The employee chooses from six rate options provided in statute ranging from 5 to 15 percent, two of the options are graduated rates dependent on the employee's age. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.32 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current-year covered payroll) at the close of Fiscal Year 2005 were as follows:

TRS Actual Contribution Rates

	Plan 1	Plan 2	Plan 3
Employer Rates *	1.37%	1.37%	1.37%**
Employee Rates:			
State agencies	6.00%	0.87%	***
Local governmental units	6.00%	0.87%	***
State gov't elected officials	7.50%	0.87%	***

\*The employer rates include an administrative expense rate of 0.19 percent and 0.01 percent pay-as-you-go cost for Plan 1 minimum pension benefit.

\*\* Plan 3 defined benefit portion only.

\*\*\* Variable from 5% to 15% based on rate selected by the member.

**School Employees' Retirement System (SERS)**

Each biennium the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. There are no employer contributions to SERS Plan 3 defined contribution. Employees who participate in the

defined contribution portion of SERS Plan 3 contribute to the defined contribution plan instead of the defined benefit portion of SERS Plan 3. The employee chooses from six rate options provided in statute ranging from 5 to 15 percent, two of the options are graduated rates dependent on the employee's age. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates.

The methods used to determine the contribution requirements are established under state statute in chapters 41.35 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2005 were as follows:

SERS Actual Contribution Rates		
	Plan 2	Plan 3
Employer Rates:		
State agencies*	1.04%	1.04% **
Local governmental units*	1.04%	1.04% **
Employee Rates:		
State agencies	0.85%	***
Local governmental units	0.85%	***

\*The employer rates include an administrative expense rate of 0.19 percent.

\*\*Plan 3 defined benefit portion only.

\*\*\*Variable from 5% to 15% based on rate selected by the member.

**Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)**

Beginning July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF 2 Board. All employers are required to contribute at the level required by state statute.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2005 were as follows:

LEOFF Actual Contribution Rates		
	Plan 1	Plan 2
Employer Rates:		
Ports and Universities*	NA	5.28%
Local governmental units* (cities, counties, fire districts, etc)	0.19%	3.25%
Employee Rates:		
Ports and Universities	NA	5.09%
Local governmental units (cities, counties, fire districts, etc)	NA	5.09%
State of Washington	NA	2.03%

\*The employer rates include an administrative expense rate of 0.19 percent and 0.01 percent pay-as-you-go cost for Plan 1 minimum pension benefit

The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 1 and Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Board. 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. For Fiscal Year 2005, the state contributed \$21.3 million to LEOFF Plan 2.

**Washington State Patrol Retirement System (WSPRS)**

State statute (chapter 43.43 RCW) obligates employees to contribute at a fixed rate of 2 percent for Fiscal Year 2005. The Pension Funding Council in accordance with chapter 41.45 RCW adopts contribution rates for the employee and the state. The employee and the state are required to contribute at the level required by state statute.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2005 were as follows:

WSPRS Actual Contribution Rates		
	Plan 1	Plan 2
Employer rate	NA	NA
Employee rate	2.00%	2.00%

**Judicial Retirement System (JRS)**

Contributions made are based on rates set in chapter 2.10 RCW. By statute, employees are required to contribute 7.5 percent with an equal amount contributed by the state. In addition, the state guarantees the solvency of the JRS on a pay-as-you-go basis. Each biennium, the Legislature, through biennial appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For Fiscal Year 2005, the state contributed \$6.2 million.

**Judges' Retirement Fund (Judges)**

Contributions made are based on rates set in chapter 2.12 RCW. By statute, employees are required to contribute 6.5 percent with an equal amount contributed by the state. In addition, the state guarantees the solvency of the Judges' Retirement Fund on a pay-as-you-go basis. As of June 30, 2005, there are no active members remaining in the Judges Retirement Fund and member contributions are no longer collected. Each biennium, the Legislature, through biennial appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For Fiscal Year 2005, the state contributed \$0.5 million.

**The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF)**

The retirement provisions of VFFRPF is funded through member contributions of \$30 per year, employer contributions of \$30 per year, and 40 percent of the Fire Insurance Premium Tax, as per chapter 41.24 RCW. VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination. The death and disability provisions of VFFRPF are funded by an employer contribution rate, which as of July 24, 2005 has increased from \$10 to \$30 per member (Chapter 37, Laws of 2005).

Administrative expenses are funded through fire insurance premium taxes and are maintained in a separate fund. Amounts not needed for administrative expenses are transferred to VFFRPF.

**D. Employer Contributions Required and Paid**

The following table presents the state of Washington's required contributions in millions of dollars to cost-sharing plans in accordance with the funding policy. All contributions required by the funding method were paid.

	2005	2004	2003
PERS Plan 1	\$11.3	\$11.5	\$28.8
PERS Plan 2/3	36.7	34.3	18.5
TRS Plan 1	0.3	0.3	0.6
TRS Plan 2/3	0.2	0.2	0.1
SERS Plan 2/3	0.0	0.0	0.0
LEOFF Plan 1	0.0	0.0	0.0
LEOFF Plan 2	21.6	20.5	16.6
VFFRPF	4.4	4.4	3.3

There are no long-term contracts for contributions for any of the retirement plans administered by the state.

**E. Annual Pension Cost and Other Related Information**

Current year annual pension cost, net pension obligation (NPO) and related information for the current year for the State's single employer and agent multiple-employer defined benefit plans are as follows (amounts in millions);

	WSPRS	JRS	Judges
<b>Annual Pension Cost and Net Pension Obligation:</b>			
Annual required contribution	\$ 3.4	\$21.7	\$ 0.1
Interest on NPO	(2.0)	4.4	(0.2)
Adjustment to annual required contribution	3.0	(14.0)	0.6
Annual pension cost	4.4	12.1	0.5
Less contributions made	0.0	6.2	0.5
Increase (decrease) in NPO	4.4	6.0	0.0
NPO at beginning of year	(24.6)	55.5	(2.6)
NPO at end of year	(20.2)	61.4	(2.6)
<b>Actuarial Assumptions:</b>			
Valuation date	9/30/04	9/30/04	9/30/04
Actuarial cost method	Aggregate*	Entry age	Entry age
Amortization method	n/a	Level \$	Level \$
Remaining amortization period (closed)	n/a	12/31/08	12/31/08
Asset valuation method	8 year graded smoothed fair value	Market	Market
<b>Actuarial assumptions:</b>			
Investment rate of return	8%	8%	8%
Projected salary increases	4.5%**	4.5%	4.5%
Includes inflation at	3.5%	3.5%	3.5%
Cost-of-living adjustments	CPI increase, maximum 3%	3.00%	none

\* The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.

\*\* WSPRS also assumes a 6 percent salary merit increase for a merit period of 20 years.

**F. Three Year Historical Trend Information**

The following table presents three-year trend information in millions for the plans listed:

	2005	2004	2003
<b>WSPRS</b>			
Annual Pension Cost	\$4.4	\$3.8	\$1.2
% of APC contributed	0.0	0.0	0.0
NPO	\$(20.2)	\$(24.6)	\$(28.4)
<b>JRS</b>			
Annual Pension Cost	\$12.1	\$11.8	\$11.4
% of APC contributed	50.8	52.5	54.6
NPO	\$61.4	\$55.5	\$49.9
<b>Judges</b>			
Annual Pension Cost	\$0.5	\$0.6	\$0.4
% of APC contributed	100.0	83.3	75.0
NPO	\$(2.6)	\$(2.6)	\$(2.7)

There are no long-term contracts for contributions for any of the retirement plans administered by the state.

**G. Changes in Actuarial Assumptions and Methods**

Pension funding legislation was adopted during the 2005 legislative session (Chapter 370, Laws of 2005), which creates a short-term change in funding policy. The policy is to adopt annual contribution rates over a four-year “phase-in” period from 2005-09, to suspend payments on the Plan 1 Unfunded Actuarial Accrued Liability in PERS and TRS during the 2005-07 biennium, and to delay recognition of the cost of future gain-sharing benefits until the 2007-09 biennium.

The Plan 2/3 normal cost rates were determined without adjustment for the lag in time between the valuation date and the date the rates become effective.

The estimated value of future gain-sharing benefits is included in the liabilities for accounting disclosure purposes, but not for funding purposes.

The demographic assumptions for LEOFF plan 2 were modified for a disability benefit enhancement.

**H. Changes in Benefit Provisions**

The 2005 legislative session provided the following changes in benefit provisions.

The PERS Plan 1 veteran’s definition was expanded to include conflicts in the Persian Gulf and Afghanistan (Chapter 255, Laws of 2005).

Emergency Medical Technicians (EMTs) in PERS may transfer into LEOFF Plan 2 and have the option of

transferring their past service (Chapter 459, Laws of 2005).

Legislation passed in the 2005 session, effective April 21, 2005, allows PERS 2/3, TRS 2/3, and SERS 2/3 members to opt out of plan membership if deemed to be terminally ill, with less than five years to live (Chapter 131, Laws of 2005).

The TRS Plan 1 certified Educational Staff Associates (ESAs) benefit formula was improved by annualizing the salaries of part-time ESAs when calculating their average final compensation so they may receive proportionate retirement benefits (Chapter 23, Laws of 2005).

Legislation passed in the 2005 session effective May 13, 2005 removed the actuarial reduction in LEOFF for the difference between age 53 and the age at retirement, if the disability was incurred in the line of duty (Chapter 451, Laws of 2005).

LEOFF Plan 1 ex-spouse benefits were enhanced by allowing continuance after the death of the member (Chapter 62, Laws of 2005).

**I. Defined Contribution Plans**

**Public Employees’ Retirement System Plan 3 (PERS 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). Eligible employees include: elected officials; state employees; employees of the Supreme, 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 participants who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants who joined 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. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Refer to section B of this note 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 RCW 41.40, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries based on member choice. 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 solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses caused in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For Fiscal Year 2005, employee contributions required and made were \$59 million, and plan refunds paid out were \$25.5 million.

**Teachers' Retirement System Plan 3 (TRS 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). Eligible employees include certificated employees in grades K-12 in the public schools. TRS participants 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 participants joining the system on or after July 1, 1996, and those who exercised their transfer option, are members of TRS Plan 3. Refer to Section B of this note 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 RCW 41.34, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries based on member choice. 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 solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses caused in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, TRS Plan 3 investments are made in the same portfolio as that of the TRS 2/3 defined benefit plan.

For Fiscal Year 2005, employee contributions required and made were \$183.6 million and plan refunds paid out were \$35.6 million.

**School Employees' Retirement System Plan 3 (SERS 3)**

The School Employees' Retirement System (SERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Eligible employees include classified employees of school districts and educational service districts who joined PERS Plan 2 on or after October 1, 1977, and by August 31, 2000, and were transferred to SERS Plan 2 on September 1, 2000. Members transferred from PERS Plan 2 to SERS Plan 2 may exercise an option to transfer their membership to SERS Plan 3. SERS participants joining the system on or after September 1, 2000, are also members of SERS Plan 3. Refer to Section B of this note for SERS plan descriptions.

SERS 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 RCW 41.35, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries based on member choice. There are currently no requirements for employer contributions to the defined contribution component of SERS Plan 3.

SERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses caused in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, SERS Plan 3 investments are made in the same portfolio as that of the SERS 2/3 defined benefit plan.

For Fiscal Year 2005, employee contributions required and made were \$46.7 million and plan refunds paid out were \$21.5 million.

**Judicial Retirement Account (JRA)**

The Judicial Retirement Account 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, 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 the PERS for their services as a judge. Vesting is full and immediate. There are three participating employers in JRA.

Member contributions equal 2.5 percent of covered salary and the state, as employer, matches this amount. Contributions are collected by the Administrative Office of the Courts. 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 State Legislature.

Current-year covered payroll for JRA employees was \$24.1 million for the fiscal year ended June 30, 2005. For Fiscal Year 2005, the contribution requirement for JRA was \$1.2 million. Actual employer and employee contributions were \$601.5 thousand each, for a total of \$1.2 million. Plan benefits paid out for Fiscal Year 2005 totaled \$411 thousand.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. If a member dies, the amount of accumulated contributions standing to the member's credit at the time of the member's death shall be paid to such a person or persons having an insurable interest in the member's life, per written designation of the member.

The Administrator of JRA has entered an agreement with DRS for accounting and reporting services, and the Washington State Investment Board (SIB) for investment services. DRS is responsible for all record keeping, accounting, and reporting of member accounts. The SIB has the full power to establish investment policy, develop participant investment options, and manage the investment funds from the JRA plan, consistent with the provisions of RCW 2.14.080 and RCW 43.84.150.

**Higher Education Retirement Plans**

The Higher Education Retirement Plans are privately administered defined contribution plans with a supplemental plan component. As authorized by RCW 28B.10, the plans cover higher education faculty and other positions as designated by each institution. The state and regional universities, the state college, and the state community and technical colleges each participate in a plan. 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 28.B.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, and the state board for community colleges.

Employee contribution rates, based on age, range from 5 to 10 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 2005, covered payroll was \$1.4 billion. Employer and employee contributions were \$114.7 million each, for a total of \$229.4 million. These contribution amounts represent approximately 8 percent each of covered payroll for employers and employees.

The plans have a supplemental payment component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. Institutions make direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals. The supplemental component is financed on a pay-as-you-go basis.

An actuarial evaluation of the supplemental component of the Higher Education Retirement plans was done at the end of Fiscal Year 2004. The previous evaluation was performed in 1999. The Unfunded Actuarial Accrued Liability (UAL) calculated as of June 30, 2004 and 1999 was \$48.1 million and \$26.2 million, respectively, and is amortized over a 19.5-year period. The Annual Required Contribution (ARC) of \$5.1 million consists of amortization of the UAL (\$2.8 million) and normal cost (or current cost) (\$2.1 million). The UAL and ARC were established using the entry age normal cost method. The actuarial assumptions included an investment rate of return of 6 to 8 percent and projected salary increases ranging from 2 to 4 percent. Approximately \$1.1 billion and \$573.9 million of payroll was covered under these plans during 2004 and 1999, respectively. The following table reflects the activity in the Net Pension Obligation for the year ended June 30, 2005 (in millions):

Balance as of July 1, 2003	\$ 0.0
Annual Required Contribution FY 04	5.1
Payments to Beneficiaries FY 04	(2.2)
Balance as of June 30, 2004	(2.8)
Annual Required Contribution FY05	5.1
Payments to Beneficiaries FY 05	(2.1)
<b>Balance as of June 30, 2005</b>	<b>\$ 5.8</b>

Annual payments for the Fiscal Years 2004 and 2003 were \$2.2 million and \$2.4 million, respectively, and approximated the ARC.

**J. Plan Net Assets and Changes in Plan Net Assets**

The Combining Statement of Plan Net Assets that follows presents the principal components of receivables, investments, and liabilities. The Combining Statement of Changes in Plan Net Assets presents the additions and deductions to plan net assets.

## Combining Statement of Plan Net Assets Pension and Other Employee Benefit Funds

June 30, 2005

(expressed in thousands)

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit	TRS Plan 3 Defined Contribution	SERS Plan 2/3 Defined Benefit
<b>Assets:</b>							
<b>Cash and pooled investments</b>	\$ 6,737	\$ 3,752	\$ 80	\$ 5,600	\$ 261	\$ 2,985	\$ 764
<b>Receivables:</b>							
Interest and dividends	27,605	34,625	1,463	23,331	12,222	4,149	4,926
Due from other funds	4	182	4,350	3	3,507	12,905	828
Due from other governments	3,935	8,043	3,168	3,323	3,058	16,111	1,167
Other (net of allowance)	10,848	13,036	548	9,087	4,575	1,552	1,844
<b>Total Receivables</b>	42,392	55,886	9,529	35,744	23,362	34,717	8,765
<b>Investments, Noncurrent:</b>							
Asset backed securities	6,049	7,622	322	5,114	2,686	914	1,082
Collateralized mort obligations	196,566	247,705	10,470	166,198	87,311	29,694	35,180
Corporate stock	1,625,823	2,048,804	86,602	1,374,642	722,164	245,610	290,974
Government bonds	5,531	6,970	295	4,676	2,457	836	990
Repurchase agreements	361,249	453,929	19,157	305,316	160,250	54,331	64,605
Certificates of deposit	97,779	123,218	5,208	82,673	43,432	14,771	17,500
Mutual funds	3,681,713	4,639,566	623,397	3,112,909	1,635,356	1,743,351	658,919
Mortgages	571,424	720,089	30,437	483,142	253,817	86,325	102,268
Real estate	892,705	1,124,956	47,552	754,787	396,525	134,859	159,768
Private equity	1,392,378	1,754,626	74,168	1,177,263	618,471	210,344	249,195
Investments on loan	855,445	1,078,001	45,567	723,284	379,975	129,232	153,099
Short term investments	744,011	941,524	39,578	632,708	341,559	113,211	137,497
Other noncurrent investments	-	-	-	-	-	-	-
<b>Total Investments, Noncurrent</b>	10,430,673	13,147,010	982,753	8,822,712	4,644,003	2,763,478	1,871,077
<b>Total Assets</b>	\$ 10,479,802	\$ 13,206,648	\$ 992,362	\$ 8,864,056	\$ 4,667,626	\$ 2,801,180	\$ 1,880,606
<b>Liabilities:</b>							
Obligations under security lending agreements	\$ 883,025	\$ 1,111,470	\$ 46,933	\$ 746,481	\$ 392,200	\$ 132,969	\$ 158,096
Accrued liabilities	23,458	15,485	599	19,320	5,378	1,699	2,186
Due to other funds	192	5,118	176	139	13,364	3,505	4,657
Deferred revenues	108	314	-	315	82	-	16
<b>Total Liabilities</b>	906,783	1,132,387	47,708	766,255	411,024	138,173	164,955
<b>Net Assets</b>							
Net Assets Held in Trust for: Pension Benefits (Schedule of funding progress by plan begins on page C-116)	9,573,019	12,074,261	944,654	8,097,801	4,256,602	2,663,007	1,715,651
Deferred Compensation Participants	-	-	-	-	-	-	-
<b>Total Net Assets</b>	\$ 9,573,019	\$ 12,074,261	\$ 944,654	\$ 8,097,801	\$ 4,256,602	\$ 2,663,007	\$ 1,715,651

State of Washington

SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1/2	JRS	JRA	Judges	VFFRPF	Deferred Compensation	Total
\$ 710	\$ 1,633	\$ 1,068	\$ 638	\$ 491	\$ 7	\$ 4,283	\$ 20,739	\$ 893	\$ 50,641
1,482	14,485	9,759	2,080	5	-	-	316	-	136,448
4,454	3	2	-	1	-	8	36	1	26,284
4,137	-	5,384	55	10	-	-	-	-	48,391
555	5,463	3,660	777	-	-	-	119	782	52,846
10,628	19,951	18,805	2,912	16	-	8	471	783	263,969
326	3,179	2,146	457	-	-	-	70	-	29,967
10,617	103,331	69,757	14,851	-	-	-	2,264	-	973,944
87,817	854,663	576,973	122,831	-	-	-	18,713	-	8,055,616
299	2,907	1,963	418	-	-	-	61	-	27,403
19,426	189,588	127,815	27,279	80	1	647	7,283	135	1,791,091
5,281	51,401	34,700	7,387	-	-	-	1,126	-	484,476
402,894	1,935,404	1,306,568	278,149	-	9,559	-	42,379	1,273,275	21,343,439
30,865	300,387	202,787	43,170	-	-	-	6,578	-	2,831,289
48,219	469,278	316,804	67,442	-	-	-	10,276	-	4,423,171
75,209	731,946	494,128	105,193	-	-	-	16,026	-	6,898,947
46,208	449,691	303,580	64,627	-	-	-	9,844	-	4,238,553
39,832	391,228	271,792	56,293	2,001	-	-	8,560	-	3,719,794
-	-	-	-	-	4,955	-	-	648,082	653,037
766,993	5,483,003	3,709,013	788,097	2,081	14,515	647	123,180	1,921,492	55,470,727
\$ 778,331	\$ 5,504,587	\$ 3,728,886	\$ 791,647	\$ 2,588	\$ 14,522	\$ 4,938	\$ 144,390	\$ 1,923,168	\$ 55,785,337
\$ 47,501	\$ 463,875	\$ 312,982	\$ 66,699	\$ 80	\$ 1	\$ 647	\$ 13,287	\$ 135	\$ 4,376,381
607	7,633	4,072	1,300	152	-	10	137	9	82,045
825	11	156	6	-	-	-	-	1	28,150
-	-	12	-	-	-	-	-	-	847
48,933	471,519	317,222	68,005	232	1	657	13,424	145	4,487,423
729,398	5,033,068	3,411,664	723,642	2,356	14,521	4,281	130,966	-	49,374,891
-	-	-	-	-	-	-	-	1,923,023	1,923,023
\$ 729,398	\$ 5,033,068	\$ 3,411,664	\$ 723,642	\$ 2,356	\$ 14,521	\$ 4,281	\$ 130,966	\$ 1,923,023	\$ 51,297,914

## Combining Statement of Changes in Plan Net Assets

### Pension and Other Employee Benefit Funds

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit	TRS Plan 3 Defined Contribution	SERS Plan 2/3 Defined Benefit
<b>Additions:</b>							
Contributions:							
Employers	\$ 22,361	\$ 74,720	\$ -	\$ 8,792	\$ 33,767	\$ -	\$ 10,160
Members	57,249	67,209	59,029	42,428	4,020	183,645	4,425
State	-	-	-	-	-	-	-
Participants	-	-	-	-	-	-	-
<b>Total Contributions</b>	<b>79,610</b>	<b>141,929</b>	<b>59,029</b>	<b>51,220</b>	<b>37,787</b>	<b>183,645</b>	<b>14,585</b>
Investment Income:							
Net appreciation (depreciation) in fair value	940,878	1,144,775	70,344	793,617	404,585	208,877	163,113
Interest and dividends	245,073	298,190	13,330	206,640	107,940	34,480	43,392
Less: Investment expenses	(22,154)	(27,829)	(815)	(18,700)	(12,093)	(2,264)	(4,782)
<b>Net Investment Income</b>	<b>1,163,797</b>	<b>1,415,136</b>	<b>82,859</b>	<b>981,557</b>	<b>500,432</b>	<b>241,093</b>	<b>201,723</b>
Transfers from other pension plans	242	254	1,337	168	500	604	1,959
Other additions	-	-	-	-	3	-	-
<b>Total Additions</b>	<b>1,243,649</b>	<b>1,557,319</b>	<b>143,225</b>	<b>1,032,945</b>	<b>538,722</b>	<b>425,342</b>	<b>218,267</b>
<b>Deductions:</b>							
Pension benefits	880,874	102,742	-	741,118	17,118	-	10,114
Pension refunds	5,143	24,086	25,533	1,180	3,109	35,583	2,190
Transfers to other pension plans	39	3,462	162	33	618	634	333
Administrative expenses	447	425	-	127	34	-	37
Distributions to participants	-	-	-	-	-	-	-
<b>Total Deductions</b>	<b>886,503</b>	<b>130,715</b>	<b>25,695</b>	<b>742,458</b>	<b>20,879</b>	<b>36,217</b>	<b>12,674</b>
<b>Net Increase (Decrease)</b>	<b>357,146</b>	<b>1,426,604</b>	<b>117,530</b>	<b>290,487</b>	<b>517,843</b>	<b>389,125</b>	<b>205,593</b>
<b>Net Assets - Beginning</b>	<b>9,215,873</b>	<b>10,647,657</b>	<b>827,124</b>	<b>7,807,314</b>	<b>3,738,759</b>	<b>2,273,882</b>	<b>1,510,058</b>
<b>Net Assets - Ending</b>	<b>\$ 9,573,019</b>	<b>\$ 12,074,261</b>	<b>\$ 944,654</b>	<b>\$ 8,097,801</b>	<b>\$ 4,256,602</b>	<b>\$ 2,663,007</b>	<b>\$ 1,715,651</b>

State of Washington

SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1/2	JRS	JRA	Judges	VFFRPF	Deferred Compensation	Total
\$ -	\$ 9	\$ 32,781	\$ -	\$ 155	\$ 602	\$ -	\$ 751	\$ -	\$ 184,098
46,738	(1)	54,558	1,316	155	602	-	138	-	521,511
-	-	21,266	-	5,995	-	500	4,440	-	32,201
-	-	-	-	-	-	-	-	160,029	160,029
46,738	8	108,605	1,316	6,305	1,204	500	5,329	160,029	897,839
57,716	488,672	318,619	69,672	2	437	13	10,780	55,007	4,727,107
12,676	127,136	82,855	18,117	77	341	97	3,172	48,026	1,241,542
(438)	(11,505)	(8,346)	(1,640)	(5)	(19)	(24)	(348)	(2,360)	(113,322)
69,954	604,303	393,128	86,149	74	759	86	13,604	100,673	5,855,327
290	-	17	98	-	-	-	-	-	5,469
-	-	-	-	-	15	-	-	2,302	2,320
116,982	604,311	501,750	87,563	6,379	1,978	586	18,933	263,004	6,760,955
-	279,956	8,978	27,606	8,761	411	641	8,939	-	2,087,258
21,479	5	7,765	173	-	-	14	20	-	126,280
147	40	1	-	-	-	-	-	-	5,469
-	113	74	21	-	-	-	30	-	1,308
-	-	-	-	-	-	-	-	83,741	83,741
21,626	280,114	16,818	27,800	8,761	411	655	8,989	83,741	2,304,056
95,356	324,197	484,932	59,763	(2,382)	1,567	(69)	9,944	179,263	4,456,899
634,042	4,708,871	2,926,732	663,879	4,738	12,954	4,350	121,022	1,743,760	46,841,015
\$ 729,398	\$ 5,033,068	\$ 3,411,664	\$ 723,642	\$ 2,356	\$ 14,521	\$ 4,281	\$ 130,966	\$ 1,923,023	\$ 51,297,914

## Note 12 - Commitments and Contingencies

### A. Construction and Other Commitments

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled \$2.26 billion at June 30, 2005.

### B. Summary of Significant Litigation

The state and its agencies are parties to numerous routine legal proceedings that normally occur in governmental operations. At any given point, there may be numerous lawsuits involving state agencies that could impact expenditures. There is a recurring volume of tort and other claims for compensation and damages against the state and some specific state agencies, including the Departments of Transportation, Corrections, Social and Health Services, and the University of Washington. A significant portion of pending litigation relates to the implementation of specific state programs, and funds are reserved each biennium for handling this litigation. The collective impact of these claims, however, is not likely to have a material impact on state revenues or expenditures.

#### Social and Health Services

During the reporting period, there have been additional challenges or developments in pending cases involving the administration of state social service programs. These include:

*Arc of Washington v. Braddock.* This is a class action lawsuit pending in the U.S. District Court. Plaintiffs allege that Medicaid eligible developmentally disabled clients are not receiving adequate services under state and federal Medicaid law. An additional class of plaintiffs failed to successfully intervene in the Arc case. Those plaintiffs have filed a related case in federal court entitled *Boyle v. Arnold Williams, et al.* A potential award based on the biennial cost of providing the services sought in these lawsuits was originally estimated at approximately \$165 to \$222 million. An intermediate ruling of the Ninth Circuit Court of Appeals, however, stated that plaintiffs had no right under the Americans with Disabilities Act to be placed on the State's Medicaid waiver program. This ruling significantly reduced the potential exposure, but an updated figure has not been developed.

*Pierce County, et al v. DSHS, et al.* This is a case pending in Thurston County Superior Court. Plaintiffs seek injunctive relief and damages associated with an alleged failure on the part of the State to provide greater services at Western State Hospital (WSH) to persons who are civilly committed under the State's mental health laws. In late November, the trial court issued an oral ruling requiring WSH to promptly accept civilly

committed patients or reimburse Pierce County for their care. The county also claimed breach of contract pertaining to the formulation of the contracts establishing Medicaid rates between 2001 and 2005 and asserted that the State illegally required Pierce County to use Medicaid savings to provide services to non-Medicaid eligible individuals. The trial court rejected these latter two claims. The oral ruling has not yet been reduced to an order, and appeals will be considered. New program costs alone could be as much as \$5 million annually, and there will likely be some damages awarded.

*Braam v. State.* This class action is pending in Whatcom County Superior Court. Plaintiffs seek both damages and injunctive relief on behalf of all foster children with three or more placements. The original verdict was set aside on appeal and a new trial was ordered. As part of a pretrial mediation stipulation the State agreed to supplement its child welfare reform plan in six areas identified in Plaintiff's complaint. A five member panel is overseeing these settlement activities. Based on the current recommendations of the panel, estimated additional program costs will be at least \$50 million. The panel's initial report setting forth benchmarks, professional standards, and action steps was released in late November 2005.

*Townsend v. Braddock.* In this federal class action lawsuit, Plaintiff class seeks declaratory and injunctive relief under the Americans with Disabilities Act establishing a substantial expansion of eligibility for elderly persons for certain home and community based care programs. The case is currently stayed while the parties attempt to reach a settlement. Potential costs are not yet quantifiable but, due to the small number of eligible clients, will probably not exceed \$5 million per year.

*Capital Medical Center, et al. v. DSHS.* This is a class action pending in Thurston County involving various hospitals formerly participating in the Medically Indigent Program. Plaintiffs allege that the Department improperly deducted as much as \$2,000 for every patient treated under the program. On summary judgment the Department failed to establish that it had the authority to engage in these deductions. The case is proceeding to final judgment on two other remaining issues. Potential damages could reach as much as \$20 million depending on the exact terms of the final judgment.

*Group Health Cooperative v. DSHS.* In this Thurston County case, Group Health claims that the Department breached certain managed care contracts between 1992 and 2001 by failing to identify and decertify persons simultaneously receiving other public benefits while

enrolled in the Group Health Plan. There is no trial date set. Potential damages have been estimated at \$14.6 million.

Transportation

*Lower Elwha Klallam Tribe, et al. v. WSDOT, et al.* Plaintiff Tribes have brought suit in Thurston County Superior Court alleging that the Washington State Department of Transportation and the State Department of Archaeology and Historic Preservation negligently disturbed a significant archaeology site during construction of a graving dock near Port Angeles. The complaint seeks cash damages and injunctive relief. The complaint does not specify the amount of damages sought but negotiations have indicated that the Tribe's claim exceeds \$5 million. The court stayed the litigation until January 2006 to enable the parties to pursue settlement negotiations.

*U.S. v. Washington.* In this federal court lawsuit, various Tribes seek significantly accelerated remediation schedules associated with eliminating or replacing existing transportation structures that block fish passage. The State has already identified over \$200 million in remedial costs associated with the remediation of these structures. Absent litigation, WSDOT would address these costs over a 20 year period based on available resources. Additional costs are associated with repair of blocking culverts on forest roads under the control of state natural resource agencies. Trial is scheduled for March of 2007.

*Squaxin Tribe and Swinomish Tribe v. Stephens and Department of Licensing.* In this case the Plaintiff Tribes seek a federal court injunction prohibiting the imposition of the state gas tax on gasoline sales at tribally owned gas stations. The Tribes rely primarily on various federal pre-emption theories to support their claim. The Federal District Court recently ruled that the incidence of the state tax was on the tribal retailers and that therefore, the state tax was pre-empted. If upheld on appeal, this ruling for the two Plaintiff Tribes will likely reduce fuel tax revenues by at least \$400,000 per year. A more significant impact on fuel tax revenues will follow if other Tribes seek similar exemptions based on this case.

*Commencement Bay Superfund Site.* The State of Washington was named a potentially responsible party in 1990 for sediment contamination at the Thea Foss Waterway in Tacoma. Seventy parties have assigned their claims against the State to three major utilities. The cleanup costs are estimated at approximately \$60 million.

*United States v. WSDOT & Southgate.* A federal court action under federal environmental law seeking restitution to the U.S. Environmental Protection Agency (EPA) arising from remediation of a contaminated well

field in Tumwater. The lawsuit alleges that the WSDOT materials lab was the source of the contamination. The EPA seeks \$11 million.

Personnel

*Davis, et al. v. DOT.* This lawsuit involves 400 class members who are current or former employees of the Washington State Ferries. Plaintiffs work twelve hour shifts on seven day intervals. Oncoming crews relieve retiring crews during their shift so there is no gap between shifts. Plaintiffs rely on two different wage recovery statutes, Department of Labor and Industries regulations and collective bargaining agreements, to seek additional compensation for the work performed during shift overlap periods. The claims of Plaintiff Class will likely exceed \$12 million. Trial is scheduled for February of 2006.

Revenue

There is a recurring volume of lawsuits seeking refunds of taxes paid to the state. All are not reported here.

*Estate of Hemphill.* Class Plaintiffs prevailed in the Washington State Supreme Court on a claim involving the state estate tax in relation to the federal inheritance tax. The State must reimburse Class Plaintiffs for taxes collected under the state estate tax. The total amount of refunds is \$167.7 million, of which \$137.5 million was paid in Fiscal Year 2005.

*Microsoft Corp. v. Department of Revenue.* Microsoft seeks a refund of deferred sales and use taxes alleging that it does not owe such tax on retained software or software not sold for profit. Microsoft seeks a refund of at least \$16 million, plus statutory interest.

*Qwest Corp. v. Department of Revenue.* Qwest seeks property tax refunds alleging that the Department's valuations of its operating property in Washington between 2001 and 2004 were excessive. The Department estimates that Qwest's refund claims total approximately \$55 million, plus statutory interest. Trial is scheduled to begin on February 14, 2006.

*Texaco Refining and Marketing, Inc. v. Department of Revenue.* Texaco alleges that the Department overvalued exchanges of petroleum products it made with other oil companies. This case is currently on appeal to the Washington State Court of Appeals. Texaco seeks refunds of B&O, Hazardous Substances, and Petroleum Products Taxes totaling \$5.7 million, plus statutory interest.

*Washington State Farm Bureau Federation, et al. v. Gregoire.* This action pending in Snohomish County Superior Court challenges the validity of revenue measures enacted by the 2005 Legislature, including sales and use tax on extended warranties, cigarettes and

liquor, and a tax on the transfer of decedents' estates. Revenues from these measures for the 2005-2007 biennium are projected to be approximately \$401 million.

Education

*School Districts' Alliance for Adequate Funding of Special Education, et al. v. State of Washington, et al.* Plaintiffs challenge the Legislature's method and adequacy of funding for special education based on a flat, per capita rate per eligible student and the limitation of excess funding to 12.7 percent of the total district student population. Trial is scheduled for October of 2006. Additional costs resulting from a ruling in plaintiffs' favor would be as much as \$360 million per biennium.

General Government

*Washington Public Employees Association v. State; and, Shroll v. State.* A consolidated class action suit brought on behalf of state employees in "common classes," general government agencies and higher education institutions under the jurisdiction of the Personnel Resources Board. Plaintiffs seek back pay and prospective wage adjustments to rectify alleged discrepancies between the highest and lowest salaries within the common class. Plaintiffs prevailed in the State Court of Appeals and the State has sought Supreme Court review. Plaintiffs seek at least \$67 million in back pay and \$7 million a year in prospective wage adjustments. Wage claim statutes allow for double damages in certain circumstances so the \$67 million could become \$134 million.

Natural Resources

*WEC v. Sutherland.* This case involves judicial review of the adequacy of a Final Environmental Impact Statement (FEIS) for the Board of Natural Resources and Department of Natural Resources' decision establishing a new sustainable harvest level for DNR-managed forested lands in Western Washington. This harvest level set in September 2004 would have averaged 597 MMBF/year (million board feet per year) over the 2005-2014 decade, estimated to result in a net revenue of \$151 million per year. The King County Superior Court found the FEIS to be inadequate. No final order has been entered as of this writing.

Should an order be entered and upheld consistent with the Judge's memorandum decision, the September 2004 harvest level for Western Washington would be invalidated, a revised EIS would need to be developed, and a new harvest level decision based on the revised EIS would be required. The short-term impact of this decision will be to return harvest levels to the no action alternative, which is estimated to result in net revenue of \$121 million per year over the planning decade, or about \$30 million less per year than the harvest level set in

2004. The Department estimates it would take two years to prepare the needed additional environmental and economic analyses. The long-term impact will depend on any new harvest level decision.

*ASARCO Bankruptcy.* ASARCO filed for Chapter 11 bankruptcy on September 9, 2005. ASARCO's smelter operation in Tacoma/Ruston is a Superfund site under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). The "Groundwater/Sediments Unit" of the Superfund site includes about 110 acres of state-owned aquatic land. The primary contaminants of aquatic lands are arsenic and copper. Under CERCLA, the State is also a Potentially Responsible Party (PRP) because it owns the contaminated property and the State could be responsible for much of the cost of clean up if ASARCO evades liability through bankruptcy. The U.S. Environmental Protection Agency (EPA) currently estimates the cost of clean up for the entire site at \$22 million. The clean up of state-owned aquatic lands is estimated at \$11 million.

Tort Cases and Claims

*Stephen Joyce v. DOC.* Parolee, on a suspended driver's license, killed a young mother. The jury found for the plaintiff in September 2000 and Department of Corrections (DOC) appealed. The Court of Appeals, Division II, affirmed. The Washington State Supreme Court affirmed in part, reversed in part, and remanded to the trial court for further proceedings thereby overturning the nearly \$22.5 million verdict. The State sought a ruling from the Supreme Court to limit DOC's liability for crimes unrelated to conditions of supervision of prior offenses, but was unsuccessful. Motions for Reconsideration filed by both parties are still pending in the Supreme Court.

*Thelma Taylor/Amanda Morgan-Hayes/Karen Peterson v. DOC.* Plaintiffs, in three separate lawsuits, claim substantial damages because DOC allegedly failed to properly assess and supervise offender Michael J. Braae. The case is stayed, with no trial date yet set. This case is significant because if the State is found liable for negligent supervision of Michael J. Braae the combined damages to his numerous victims will be substantial.

*Aba Sheikh v. DSHS.* Plaintiff was assaulted by four assailants, two of whom were dependent children in foster care. The jury awarded over \$10 million, finding DSHS liable for about \$8 million of the total. Department of Social and Health Service's (DSHS) appeal was certified for direct review by the State Supreme Court, which heard oral argument on June 9, 2005, and has yet to render a decision. (Note: the Court of Appeals, in *Terrell C. v. DSHS* (2004), review denied 2005, held that the purpose of DSHS's duty to control children was to protect the children, and not to protect third persons. The *Aba Sheikh* case, if allowed to stand,

would conflict with and constitute a reversal of Terrell C., creating a new cause of action against DSHS.)

*Daniel Albertson, GAL v. DSHS and Ronald Young.* Ronald Young was arrested and pled guilty to sexually abusing his foster children, which he photographed and posted on the internet. The present lawsuit involves seven allegedly injured children. The AGO is obtaining investigative reports from the criminal action. This matter is significant because potential damages exposure could be substantial if liability is proven against the State for placing children in his care.

*WSP and Officer Idland.* Trooper Idland is accused of sexually molesting female motorists after he pulled them over for driving under the influence of intoxicants. There are currently eight tort claims filed, with additional claims likely. Idland pled guilty to custodial sexual misconduct. Plaintiffs are claiming negligent hiring, retention, and supervision by the WSP. If the claims are successful, damages could be substantial.

**C. 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 does estimate and recognize a claims and judgments liability 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.

**D. 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. State agencies and universities responsible for investments from bond proceeds carefully monitor their investments to restrict earnings to a yield less than the bond issue, and therefore limit any state arbitrage liability. The state estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

**E. Other Commitments and Contingencies**

School Bond Guarantee Program

Washington voters passed a constitutional amendment in November 1999, creating the Washington State School Bond Guarantee Program. The program's purpose is to provide savings to state taxpayers by pledging the full faith and credit of the state of Washington to the full and timely payment of voter-approved school district general obligation bonds in the event a school district is unable to make a payment. The issuing school district remains responsible for the repayment of the bonds, including any payment the state makes under the guarantee.

The State Treasurer introduced the School Bond Guarantee Program in March 2000. At the end of Fiscal Year 2005, the state had guaranteed 172 school districts' voter-approved general obligation debt with a total outstanding principal of \$4.6 billion. The state estimates that school bond guarantee liability, if any, will be immaterial to its overall financial condition.

Local Option Capital Asset Lending Program (LOCAL)

On September 1, 1998, the state lease-purchase program was extended to local governments seeking low cost financing of essential equipment. The 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 COP's do not constitute a debt or pledge of the 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, 2005, outstanding certificates of participation notes totaled \$53.5 million for 220 local governments participating in LOCAL. The state estimates that LOCAL program liability, if any, will be immaterial to its overall financial condition.

Office Building Lease

The 2001 Legislature authorized the state to lease-develop an office building in Tumwater, Washington. On October 23, 2003, the state entered into a ground lease and a lease agreement with Tumwater Office Properties (TOP), a Washington nonprofit corporation. The agreements call for TOP to design and construct an office building and to finance it with tax-exempt obligations that meet the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 issued by

the Internal Revenue Service. The state is required to make monthly payments that equal the required debt service on the bonds. Additional amounts may also be due per the terms of the lease agreement. The lease agreements provide the state with options to purchase the building during the term of the lease and transfer ownership of the building to the state at the end of the lease. The office building was occupied starting in early fiscal year 2006.

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**Note 13 - Subsequent Events**

**A. Bond Issues**

In July 2005, the state refunded \$461.2 million in Various Purpose General Obligation bonds, series R-2006A.

In August 2005, the state issued \$64.2 million in General Obligation Taxable Bonds, Series 2006T.

In August 2005, the state issued \$229.9 million in Various Purpose General Obligation Bonds, Series 2006A and \$197 million in Motor Vehicle Fuel Tax General Obligation Bonds, Series 2006B.

In September 2005, the state issued \$55 million in Motor Vehicle Fuel Tax General Obligation Bonds, Series 2006C.

**B. Certificates of Participation**

In August 2005, the state issued \$16.6 million in Certificates of Participation for various state and local government real estate purchases, Series 2005D.

In August 2005, the state issued \$6.8 million in Certificates of Participation for various state and local government equipment purchases, Series 2005E.

In December 2005, the state plans to issue \$11 million in Certificates of Participation for various state and local government equipment purchases, Series 2005F.

## **Required Supplementary Information**

## Budgetary Information Budgetary Comparison Schedule

### General Fund

For the Fiscal Year Ended June 30, 2005  
(expressed in thousands)

	General Fund			
	Original Budget 2003-05 Biennium	Final Budget 2003-05 Biennium	Actual 2003-05 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 404,581	\$ 404,581	\$ 404,581	\$ -
<b>Resources:</b>				
Taxes	22,791,756	22,830,612	23,158,534	327,922
Licenses, permits, and fees	156,491	155,089	154,486	(603)
Other contracts and grants	477,517	533,271	525,943	(7,328)
Timber sales	8,600	8,600	8,562	(38)
Federal grants-in-aid	10,630,943	11,271,670	10,726,343	(545,327)
Charges for services	78,120	89,321	92,718	3,397
Interest income	65,240	65,240	54,607	(10,633)
Miscellaneous revenue	86,885	103,589	87,175	(16,414)
Transfers from other funds	297,642	672,040	830,136	158,096
<b>Total Resources</b>	<b>34,997,775</b>	<b>36,134,013</b>	<b>36,043,085</b>	<b>(90,928)</b>
<b>Charges to appropriations:</b>				
General government	2,297,684	2,685,210	2,616,620	68,590
Human services	17,118,189	17,588,984	17,416,619	172,365
Natural resources and recreation	456,814	525,584	489,730	35,854
Transportation	54,139	57,521	53,640	3,881
Education	14,176,517	14,291,867	14,213,990	77,877
Capital outlays	244,073	275,637	115,289	160,348
Transfers to other funds	99,884	99,874	251,182	(151,308)
<b>Total Charges to appropriations</b>	<b>34,447,300</b>	<b>35,524,677</b>	<b>35,157,070</b>	<b>367,607</b>
<b>Excess available for appropriation</b>				
<b>Over (Under) charges to appropriations</b>	550,475	609,336	886,015	276,679
<b>Reconciling Items:</b>				
Changes in reserves (net)	-	-	(91,848)	(91,848)
Entity adjustments (net)	-	-	75,492	75,492
<b>Total Reconciling Items</b>	<b>-</b>	<b>-</b>	<b>(16,356)</b>	<b>(16,356)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 550,475</b>	<b>\$ 609,336</b>	<b>\$ 869,659</b>	<b>\$ 260,323</b>

**Budgetary Information**  
**Budgetary Comparison Schedule**  
**Budget to GAAP Reconciliation**

**General Fund**

For the Fiscal Year Ended June 30, 2005  
(expressed in thousands)

	General Fund
<b>Sources/inflows of resources</b>	
Actual amounts (budgetary basis) "Total Resources" from the Budgetary Comparison Schedule	\$ 36,043,085
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not revenue for financial reporting purposes:	
Transfers from other funds	(830,136)
Budgetary fund balance at the beginning of the year	(404,581)
The following items are not inflows of budgetary resources but are revenue for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	1,056,547
Unanticipated receipts	157,698
Noncash revenues	75,492
Revenues collected for other governments	55,644
Biennium total revenues	36,153,749
Fiscal Year 2004 total revenues	(17,609,936)
<b>Total revenues (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds</b>	<b>\$ 18,543,813</b>

<b>Uses/outflows of resources</b>	
Actual amounts (budgetary basis) "Total Charges to Appropriations" from the Budgetary Comparison Schedule.	\$ 35,157,070
Differences - budget to GAAP:	
Budgeted expenditure transfers are recorded as expenditures in the budget statement but are recorded as other financing source (use) for financial reporting purposes.	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(1,583,744)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(251,182)
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	1,056,547
Expenditures related to unanticipated receipts	157,698
Capital lease acquisitions	20,568
Distributions to other governments	55,644
Biennium total expenditures	34,612,601
Fiscal Year 2004 total expenditures	(16,880,133)
<b>Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds</b>	<b>\$ 17,732,468</b>

## Budgetary Information

### Notes to Required Supplementary Information

#### General Budgetary Policies and Procedures

The Governor is required to submit a budget to the state 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 within 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 schedules are 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 schedules extremely cumbersome. Section 2400.121 of the GASB 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 2003-05 Biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures, and estimated versus actual revenues and other financing sources (uses) for appropriated funds at agency and appropriation level are presented in Report CAF1054 for governmental funds. A copy of this report is available at the Office of Financial Management, 6639 Capitol Boulevard, PO Box 43113, Olympia, Washington 98504-3113.

Legislative appropriations are strict legal limits on expenditures/expenses, and overexpenditures are prohibited. All appropriated and certain nonappropriated

funds are further controlled by the executive branch through the allotment process. This process allocates the expenditure/expense plan into monthly allotments by program, source of funds, and object of expenditure. According to statute RCW 43.88.110(2), except under limited circumstances, the original allotments are approved by the Governor and may be revised on a quarterly basis and must be accompanied by an explanation of the reasons for significant changes. Because allotments are not the strict legal limit on expenditures/expenses, the budgetary schedules presented as required supplementary information (RSI) are shown on an appropriation versus actual comparison rather than an allotment versus actual comparison.

Proprietary funds typically earn revenues and incur expenses (i.e., depreciation or budgeted asset purchases) not covered by the allotment process. Budget estimates are generally made outside the allotment process according to prepared business plans. These proprietary fund 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 make expenditure/expense allotments based on availability of unanticipated receipts, mainly federal government grant increases made during a fiscal year. State law does not preclude the over expenditure of allotments, although RCW 43.88.110(3) requires that the Legislature be provided an explanation of major variances.

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 reservations of fund balance.

#### Budgetary Reporting versus GAAP Reporting

Governmental funds are budgeted materially in conformance with GAAP. 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 fixed 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.

Additionally, certain governmental activities are excluded from the budgetary schedules because they are not appropriated. These activities include: activities designated as nonappropriated by the Legislature, such as the Higher Education Special Revenue Fund, Higher Education Endowment Fund, Tobacco Settlement Securitization Bond Debt Service Fund, federal surplus food commodities, electronic food stamp benefits, capital

leases, note proceeds, and resources collected and distributed to other governments.

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. The factors contributing to the differences between the Budgetary Comparison Schedule and the Statement of Revenues, Expenditures, and Changes in Fund Balance are noted in the previous Budget to GAAP reconciliation.

Budgetary Fund Balance includes the following as reported on the Governmental Funds Balance Sheet: Unreserved, undesignated fund balance; and Reserved for encumbrances.

**Pension Plan Information**  
**Public Employees' Retirement System - Plan 1**  
**Schedule of Funding Progress**

Valuation Years 2004 through 1999 (dollars in millions)

	2004	2003	2002	2001	2000	1999
Actuarial Valuation Date	9/30/2004	9/30/2003	9/30/2002	9/30/2001	12/31/2000	12/31/1999
Actuarial Value of Plan Assets	\$ 9,928	\$ 10,227	\$ 10,757	\$ 10,990	\$ 11,111	\$ 10,456
Actuarial Accrued Liability	12,855	12,692	12,560	12,088	11,695	11,636
Unfunded Actuarial Liability	2,927	2,465	1,803	1,098	584	1,180
Percentage Funded	77%	81%	86%	91%	95%	90%
Covered Payroll	863	945	1,023	1,085	1,132	1,184
Unfunded Actuarial Liability as a Percentage of Covered Payroll	339%	261%	176%	101%	52%	100%

Source: Washington State Office of the State Actuary

**Teachers' Retirement System - Plan 1**  
**Schedule of Funding Progress**

Valuation Years 2004 through 1999 (dollars in millions)

	2004	2003	2002	2001	2000	1999
Actuarial Valuation Date	9/30/2004	9/30/2003	9/30/2002	9/30/2001	6/30/2000	6/30/1999
Actuarial Value of Plan Assets	\$ 8,728	\$ 9,086	\$ 9,365	\$ 9,342	\$ 9,372	\$ 8,696
Actuarial Accrued Liability	10,401	10,325	10,235	9,895	9,566	9,529
Unfunded Actuarial Liability	1,673	1,239	869	553	194	833
Percentage Funded	84%	88%	91%	94%	98%	91%
Covered Payroll	616	692	741	800	957	984
Unfunded Actuarial Liability as a Percentage of Covered Payroll	272%	179%	117%	69%	20%	85%

Source: Washington State Office of the State Actuary

**Pension Plan Information**

**Law Enforcement Officers' and Fire Fighters' Retirement System- Plan 1**  
**Schedule of Funding Progress**

Valuation Years 2004 through 1999 (dollars in millions)

	2004	2003	2002	2001	2000	1999
Actuarial Valuation Date	9/30/2004	9/30/2003	9/30/2002	9/30/2001	12/31/2000	12/31/1999
Actuarial Value of Plan Assets	\$ 4,666	\$ 4,803	\$ 5,095	\$ 5,369	\$ 5,440	\$ 5,150
Actuarial Accrued Liability	4,266	4,275	4,259	4,153	4,002	4,125
Unfunded (Assets in Excess of)						
Actuarial Liability	(400)	(528)	(836)	(1,216)	(1,438)	(1,025)
Percentage Funded	109%	112%	120%	129%	136%	125%
Covered Payroll	64	71	80	87	95	106
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A

Source: Washington State Office of the State Actuary

**Judicial Retirement System**

**Schedule of Funding Progress**

Valuation Years 2004 through 1999 (dollars in millions)

	2004	2003	2002	2001	2000	1999
Actuarial Valuation Date	9/30/2004	9/30/2003	9/30/2002	9/30/2001	12/31/2000	12/31/1999
Actuarial Value of Plan Assets	\$ 4	\$ 6	\$ 8	\$ 10	\$ 10	\$ 9
Actuarial Accrued Liability	89	91	92	92	93	94
Unfunded Actuarial Liability	85	85	84	82	83	85
Percentage Funded	4%	7%	9%	11%	11%	10%
Covered Payroll	2.4	2.6	3.0	3.0	4.0	4.0
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	3542%	3269%	2800%	2733%	2075%	2125%

Source: Washington State Office of the State Actuary

**Pension Plan Information**

**Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund**  
**Schedule of Funding Progress**

Valuation Years 2004 through 1999 (dollars in millions)

	2004	2003	2002	2001	2000	1999
Actuarial Valuation Date	12/31/2004	12/31/2003	12/31/2002	12/31/2001	12/31/2000	12/31/1999
Actuarial Value of Plan Assets	\$ 120	\$ 120	\$ 124	\$ 129	\$ 126	\$ 118
Actuarial Accrued Liability*	115	112	110	99	96	98
Unfunded (Assets in Excess of)						
Actuarial Liability	(5)	(8)	(14)	(30)	(30)	(20)
Percentage Funded	104%	107%	113%	130%	131%	120%
Covered Payroll**	N/A	N/A	N/A	N/A	N/A	N/A
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A

\* Pension plan liability only - excludes Relief benefits.

\*\*Covered Payroll is not presented because it is not applicable since this is a volunteer organization.

Source: Washington State Office of the State Actuary

**Judges' Retirement Fund**

**Schedule of Funding Progress**

Valuation Years 2004 through 1999 (dollars in millions)

	2004	2003	2002	2001	2000	1999
Actuarial Valuation Date	9/30/2004	9/30/2003	9/30/2002	9/30/2001	12/31/2000	12/31/1999
Actuarial Value of Plan Assets	\$ 4.4	\$ 4.5	\$ 4.7	\$ 4.9	\$ 4.7	\$ 4.4
Actuarial Accrued Liability	4.7	5.2	5.5	6.0	6.1	6.4
Unfunded Actuarial Liability	0.3	0.7	0.8	1.1	1.4	2.0
Percentage Funded	94%	87%	85%	82%	77%	69%
Covered Payroll	0.0	0.0	0.1	0.1	0.1	0.1
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	N/A	N/A	800%	1100%	1400%	2000%

Source: Washington State Office of the State Actuary

## Pension Plan Information Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2005 through 2000

	2005	2004	2003	2002	2001	2000
<b>Public Employees' Retirement</b>						
<b>System - Plan 1</b> (expressed in millions)						
Employers' Annual Required Contribution	\$ 340.3	\$ 295.1	\$ 228.9	\$ 164.3	\$ 118.8	\$ 199.2
Employers' Actual Contribution	22.4	22.8	56.6	68.6	181.7	200.2
Percentage Contributed	7%	8%	25%	42%	153%	101%
<b>Public Employees' Retirement</b>						
<b>System - Plan 2/3</b> (expressed in millions)						
Employers' Annual Required Contribution	\$ 227.7	\$ 192.6	\$ 141.7	\$ 72.0	\$ 55.6	\$ 103.6
Employers' Actual Contribution	74.7	69.4	38.2	51.0	115.0	101.9
Percentage Contributed	33%	36%	27%	71%	207%	98%
<b>Teachers' Retirement</b>						
<b>System - Plan 1</b> (expressed in millions)						
Employers' Annual Required Contribution	\$ 224.3	\$ 185.7	\$ 153.4	\$ 119.8	\$ 90.6	\$ 176.1
Employers' Actual Contribution	8.8	11.4	20.4	59.5	141.3	183.0
Percentage Contributed	4%	6%	13%	50%	156%	104%
<b>Teachers' Retirement</b>						
<b>System - Plan 2/3</b> (expressed in millions)						
Employers' Annual Required Contribution	\$ 117.4	\$ 96.2	\$ 79.5	\$ 66.7	\$ 40.4	\$ 56.2
Employers' Actual Contribution	33.8	29.9	18.2	46.4	69.6	75.3
Percentage Contributed	29%	31%	23%	70%	172%	134%
<b>School Employees' Retirement</b>						
<b>System - Plan 2/3</b> (expressed in millions)						
Employers' Annual Required Contribution	\$ 64.0	\$ 52.3	\$ 44.2	\$ 19.5	\$ 6.7	**
Employers' Actual Contribution	10.2	9.1	6.2	11.3	19.9	**
Percentage Contributed	16%	17%	14%	58%	297%	**

Source: Washington State Office of the State Actuary

The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic gains and losses. The methods used to derive the ARC for this accounting disclosure are different from that used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the Annual Required Contributions.

\*\* SERS did not exist prior to 9/1/2000

## Pension Plan Information

### Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2005 through 2000

	2005	2004	2003	2002	2001	2000
<b>Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 1</b> (expressed in millions)						
Employers' Annual Required						
Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6.3
Employers' Actual Contribution	-	-	0.1	0.1	0.1	6.3
Percentage Contributed	N/A	N/A	N/A	N/A	N/A	100%
State Annual Required Contribution						
Contribution	-	-	-	-	-	-
State Actual Contribution	-	-	-	-	-	-
Percentage Contributed	N/A	N/A	N/A	N/A	N/A	N/A

<b>Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 2</b> (expressed in millions)						
Employers' Annual Required						
Contribution	\$ 48.5	\$ 41.5	\$ 34.1	\$ 26.2	\$ 20.3	\$ 26.9
Employers' Actual Contribution	32.8	30.8	25.6	24.0	31.5	26.2
Percentage Contributed	68%	74%	75%	92%	155%	97%
State Annual Required Contribution						
Contribution	32.3	27.7	22.7	17.5	13.5	18.0
State Actual Contribution	21.3	20.2	16.4	15.6	20.9	17.1
Percentage Contributed	66%	73%	72%	89%	155%	95%

<b>Washington State Patrol Retirement System</b> (expressed in millions)						
Employers' Annual Required						
Contribution	\$ 3.4	\$ 2.6	\$ -	\$ -	\$ -	\$ -
Employers' Actual Contribution	-	-	-	-	-	-
Percentage Contributed	0%	0%	N/A	N/A	N/A	N/A

N/A indicates data not available.

Source: Washington State Office of the State Actuary

The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic gains and losses. The methods used to derive the ARC for this accounting disclosure are different from that used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the Annual Required Contributions.

## Pension Plan Information

### Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2005 through 2000

	2005	2004	2003	2002	2001	2000
<b>Judicial Retirement System</b> (expressed in millions)						
Employers' Annual Required Contribution	\$ 21.7	\$ 18.5	\$ 16.2	\$ 14.2	\$ 13.3	\$ 12.5
Employers' Actual Contribution	6.2	6.2	6.2	6.2	7.3	7.3
Percentage Contributed	29%	34%	38%	44%	55%	58%
<b>Judges' Retirement Fund</b> (expressed in millions)						
Employers' Annual Required Contribution	\$ 0.1	\$ 0.2	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.3
Employers' Actual Contribution	0.5	0.5	0.3	0.3	0.8	0.8
Percentage Contributed	500%	250%	300%	150%	400%	267%
<b>Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund</b> (expressed in millions)						
Employers' Annual Required Contribution	\$ 0.7	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.7	\$ 0.7
Employers' Actual Contribution	0.7	0.8	0.8	0.8	0.7	0.7
Percentage Contributed	100%	100%	100%	100%	100%	100%
State Annual Required Contribution	1.8	1.5	0.7	-	-	0.1
State Actual Contribution	4.4	4.4	3.3	3.3	3.3	2.7
Percentage Contributed	244%	293%	471%	N/A	N/A	2700%

N/A indicates data not available.

Source: Washington State Office of the State Actuary

The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic gains and losses. The methods used to derive the ARC for this accounting disclosure are different from that used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match

**Pension Plan Information**  
**Notes to the Required Supplementary Information**  
**Defined Benefit Pension Plans**

For the Fiscal Year Ended June 30, 2005

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated below. Additional information as of the latest valuation follows.

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3	SERS Plan 2/3
<b>Valuation Date</b>	9/30/2004	9/30/2004	9/30/2004	9/30/2004	9/30/2004
<b>Actuarial Cost Method</b>	entry age	aggregate***	entry age	aggregate***	aggregate***
<b>Amortization Method</b>					
Funding	level %	n/a	level %	n/a	n/a
GASB	level \$	n/a	level \$	n/a	n/a
<b>Remaining amortization period (closed)</b>	7/1/07-6/30/24	n/a	9/1/07-6/30/24	n/a	n/a
<b>Asset valuation method</b>	8-year graded smoothed fair value*				
<b>Actuarial assumptions:</b>					
Investment Rate of Return	8.00%	8.00%	8.00%	8.00%	8.00%
Projected Salary Increases					
Salary Inflation at 4.5%, plus the merit increases described below:					
initial salary merit (grades down to 0%)	6.1%	6.1%	6.2%	6.2%	7.0%
merit period (years of service)	17 yrs				
<b>Includes inflation at</b>		3.50%		3.50%	3.50%
<b>Cost of living adjustments</b>	Uniform COLA** Gainsharing COLA**	CPI increase, maximum 3%	Uniform COLA** Gainsharing COLA**	CPI increase, maximum 3%	CPI increase, maximum 3%

N/A indicates data not applicable.

\* Asset Valuation Method (8 year smoothed fair value): The actuarial value of assets is calculated under an adjusted market value method by starting with the market value of assets. For subsequent years the actuarial value of assets is determined by adjusting the market value of assets to reflect the difference between the actual investment return and the expected investment return during each of the last 8 years or, if fewer, the completed years since adoption, at the following rates per year (annual recognition):

Annual Gain/Loss			Annual Gain/Loss		
Rate of Return	Smoothing Period	Annual Recognition	Rate of Return	Smoothing Period	Annual Recognition
15% and up	8 years	12.50%	6-7%	2 years	50.00%
14-15%	7 years	14.29%	5-6%	3 years	33.33%
13-14%	6 years	16.67%	4-5%	4 years	25.00%
12-13%	5 years	20.00%	3-4%	5 years	20.00%
11-12%	4 years	25.00%	2-3%	6 years	16.67%
10-11%	3 years	33.33%	1-2%	7 years	14.29%
9-10%	2 years	50.00%	1% and lower	8 years	12.50%
7-9%	1 year	100.00%			

The actuarial value of assets is subject to a 30% market value corridor, so it will lie between 70% and 130% of the market value of assets.

LEOFF Plan 1	LEOFF Plan 2	VFFRPF
9/30/2004	9/30/2004	12/31/2004
entry age	aggregate***	entry age
level %	n/a	level \$
level \$	n/a	level \$
6/30/2024	n/a	12/31/2017
8-year graded smoothed fair value*	8-year graded smoothed fair value*	4-year smoothed fair value
8.00%	8.00%	8.00%
11.7%	11.7%	n/a
21 yrs	21 yrs	
3.50%	3.50%	n/a
CPI increase	CPI increase, maximum 3%	none

\*\* The Uniform COLA and Gainsharing COLA.

Generally, all retirees over age 66 receive an increase in their monthly benefit at least once a year.

The Gainsharing COLA is added every even-numbered year if certain extraordinary investment gains are achieved.

In 1998 it was \$0.11. On 1/1/2000 it was \$0.28 per year of service. On 1/1/2002 and 1/1/2004 no Gainsharing COLA was added.

The Uniform COLA increase is added every July. The next Uniform COLA amount is calculated as the last Uniform COLA amount plus any Gainsharing COLA amount, all increased by 3%.

On 7/1/2000, it was  $(\$0.77 + \$0.28) \times 1.03 = \$1.08$ . On 7/1/2001, it was  $(\$1.08 + \$0.00) \times 1.03 = \$1.11$ .

On 7/1/2002, it was  $(\$1.11 + \$0.00) \times 1.03 = \$1.14$ . On 7/1/2003, it was  $(\$1.14 + \$0.00) \times 1.03 = \$1.18$ .

On 7/1/2004, it was  $(\$1.18 + \$0.00) \times 1.03 = \$1.21$ . On 7/1/2005, it was  $(\$1.21 + \$0.00) \times 1.03 = \$1.25$ .

\*\*\* The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.

\*\*\*\* The method is pay-as-you-go for the funding of JRS and Judges.

## Information about Infrastructure Assets Reported Using the Modified Approach

### Condition Assessment

#### Pavement Condition

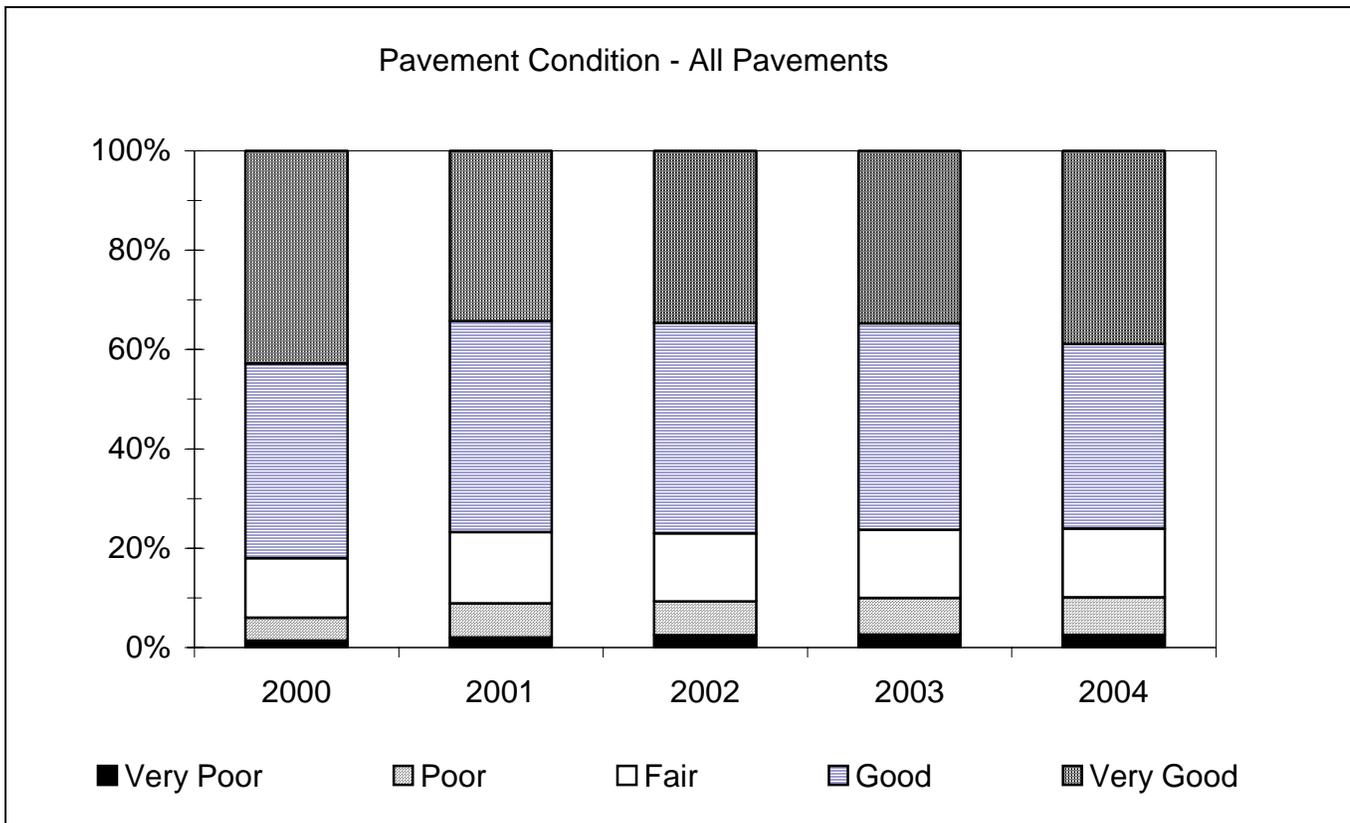
The Washington State Department of Transportation (WSDOT) owns and maintains 20,003 lane miles of highway, including ramps, collectors and special use lanes. Special use lanes include High Occupancy Vehicle (HOV), climbing, chain-up, holding, slow vehicle turnout, two-way turn, weaving/speed change, bicycle, transit, truck climbing shoulder, turn and acceleration lanes. Special use and ramp/collector lane miles make up 1,688 of the total lane miles. There are approximately 69 lane miles under construction.

WSDOT has been rating pavement condition since 1969. Pavement rated in *good* condition is smooth and has few defects. Pavement in *poor* condition is characterized by cracking, patching, roughness and rutting. Pavement condition is rated using three factors: Pavement Structural Condition (PSC), International Roughness Index (IRI), and Rutting.

In 1993 the Legislature required WSDOT to rehabilitate pavements at the Lowest Life Cycle Cost (LLCC), which

has been determined to occur at a PSC range between 40 and 60, or when triggers for roughness or rutting are met. The trend over the last five years has shown that the percentage of pavements in poor or very poor condition has remained fairly stable at 9 to 10% except in 2000 when it was at 6%. WSDOT uses LLCC analysis to manage its pavement preservation program. The principles behind LLCC are basic – if rehabilitation is done too early, pavement life is wasted; if rehabilitation is done too late, very costly repair work may be required, especially if the underlying structure is compromised. WSDOT continually looks for ways to best strike the balance between these two basic principles.

While the goal for pavements is zero miles in ‘poor’ condition, marginally good pavements may deteriorate into poor condition during the lag time between assessment and actual rehabilitation. As a result, a small percentage of marginally good pavements will move into the ‘poor’ condition category for any given assessment period.



The Department of Transportation manages State Highways targeting the LLCC per the Pavement Management System due date. While the department has a long-term goal of no pavements in poor condition (a pavement condition index less than 40, on a 100 point scale), the current policy is to maintain 90 percent of all highway pavement types at a pavement condition index

of 40 or better with no more than 10 percent of its highways at a pavement condition index below 40. The most recent assessment found that State Highways were within the prescribed parameters with only ten percent of all pavement types with a pavement condition index below 40.

WSDOT uses the following scale for Pavement Structural Condition (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 - 80	Early stage deterioration. Example: Flexible pavement with 15% of wheel track length having “hairline” alligator cracking will have a PSC of 70.
Fair	40 - 60	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 - 40	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 - 20	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 PSC is a measure based on distresses such as cracking and patching, which are related to the pavement’s ability to carry loads. Pavements develop structural deficiencies due to truck traffic and cold weather. WSDOT attempts to program rehabilitation for pavement segments when they are projected to reach a PSC of 50. A PSC of 50 can occur due to various amounts and severity of distress. For rigid pavements (such as Portland cement concrete), a PSC of 50 represents 50 percent of the concrete slabs exhibiting joint faulting with a severity of 1/8 to 1/4 inch (faulting is the elevation difference at slab joints and results in a rough ride – particularly in large trucks). Further, a PSC of 50 can also be obtained if 25 percent of concrete slabs exhibit two to three cracks per panel.

The following table shows the combined explanatory categories and the ratings for each index.

Category	PSC	IRI	Rutting
Very Good	100 – 80	< 95	< 4
Good	80 – 60	95 – 170	4 – 8
Fair	60 – 40	170 – 220	8 – 12
Poor	40 – 20	220 – 320	12 – 16
Very Poor	0 – 20	> 320	> 16

The International Roughness Index (IRI) uses a scale in inches per mile. WSDOT considers pavements with a ride performance measures greater than 220 inches per mile to be in poor condition. For example, new asphalt overlays typically have ride values below 75 inches per mile, which is very smooth.

Since 1999, WSDOT has used an automated pavement distress survey procedure. In the automated survey, high-resolution video images are collected at highway speed and these video images are then rated on special workstations at 3-6 mph speed. This change has also resulted in a more detailed classification and recording of various distresses that are rated.

Rutting is measured in millimeters: a pavement with more than 12 millimeters of rutting is considered in poor condition. The three indices (PSC, IRI, and Rutting) are combined to rate a section of pavement, which is assigned the lowest category of any of the three ratings.

Pavement condition surveys are generally conducted in the fall of each year, then analyzed during the winter and spring, with the previous year’s results available in July each year. In 2004, WSDOT rated pavement condition on 17,762 of the 20,003 lane miles of highway. The chart on the following page shows recent pavement condition ratings for the State Highway System, using the combination of the three indices described above.

**Condition Rating of Washington State Department of Transportation's Pavement**

<b>Percentage of Pavement in Fair or Better Condition</b>					
	<u>2004*</u>	<u>2003*</u>	<u>2002*</u>	<u>2001*</u>	<u>2000*</u>
Statewide - Chip Seals	86	86	89	89	92
Statewide - Asphalt	92	91	91	92	95
Statewide - Concrete	85	93	92	92	92
Statewide - All Pavements	90	90	91	91	94

<b>Percentage of Pavement in Poor or Very Poor Condition</b>					
	<u>2004*</u>	<u>2003*</u>	<u>2002*</u>	<u>2001*</u>	<u>2000*</u>
Statewide - Chip Seals	14	14	11	11	8
Statewide - Asphalt	8	9	9	8	5
Statewide - Concrete	15	7	8	8	8
Statewide - All Pavements	10	10	9	9	6

\* Calendar year data. Assessments are typically made in the fall of each year, and verified during the winter and spring, with final results available in July. Years indicated are when the physical assessment was done in the fall.

**Note:** The All Pavements percentages are calculated from total database averages, not a statistical average of the three pavement type percentages. Numbers are rounded to full percentage points.

New for 2005 – IRI or rutting not used for sections identified as under construction in rating distress.

More information about pavement management at the Department of Transportation may be obtained at:

<http://www.wsdot.wa.gov/biz/mats/pavement/structural.htm>

## Bridge Condition

During Fiscal Year 2005 there were 3,082 state-owned vehicular structures over twenty feet in length with a total area of 43,818,935 square feet. In addition to bridges, the 3,082 structures include 77 culverts and 30 ferry terminal structures. All bridges are inspected on a two to four year interval, with no more than 10 percent of the bridges inspected less than every three years. Divers inspect underwater bridge components at least once every five years in accordance with Federal Highway Administration (FHWA) requirements. Special emphasis is given to the ongoing inspection and maintenance of major bridges representing a significant public investment due to size, complexity or strategic location. Information related to public bridges is maintained in the Washington State Bridge Inventory System (WSBIS). This system is used to develop preservation strategies and comprehensive recommendations for maintenance and construction, and for reporting to the FHWA.

WSDOT's policy is to maintain 95 percent of its bridges at a structural condition of at least fair, meaning that all primary structural elements are sound. The most recent assessment found that state-owned bridges were within the prescribed parameters with 98 percent having a condition rating of fair or better and only 2 percent of bridges having a condition rating of poor. Bridges rated

as poor may have structural deficiencies that restrict the weight and type of traffic allowed. No bridges that are currently rated as poor are unsafe for public travel. Any bridges determined to be unsafe are closed to traffic. WSDOT had no closed bridges as of June 30, 2005.

WSDOT's Bridge Seismic Retrofit Program prioritizes state bridges for seismic retrofit, and performs these retrofits as funding permits. Retrofit priorities are based on seismic risk of a site, structural detail deficiencies, and route importance. In 1991, 937 bridges were classified as needing retrofitting and were included in the Seismic Retrofit Program. From 1991 to the end of June 2005, WSDOT has fully or partially retrofitted 368 bridges. Of those, 191 are completely retrofitted, 162 are partially retrofitted, and 15 are under contract to be retrofitted.

The following condition rating data is based on the structural sufficiency standards established in the FHWA "Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges." This structural rating relates to the evaluation of bridge superstructure, deck, substructure, structural adequacy and waterway adequacy. Three categories of condition were established in relation to the FHWA criteria as follows:

Category	National Bridge Inventory Code	Description
Good	6, 7, or 8	A range from no problems noted to some minor deterioration of structural elements.
Fair	5	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.

Note: Bridges rated in poor condition may be restricted for the weight and type of traffic allowed.

**Condition Rating of Washington State Department of Transportation's Bridges**

<b>Percentage of Bridges in Fair or Better Condition</b>		<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<u>Bridge Type</u>						
Reinforced Concrete	(1,300 bridges in FY 2005)	98.6	98	98	97	96
Prestressed Concrete	(1,296 bridges in FY2005)	99.5	99.5	99.5	99.5	99
Steel	(348 bridges* in FY 2005)	94.3	93	93	92	91
Timber	(63 bridges in FY 2005)	69.2	70	69	70	71
Statewide - All Bridges (3,007 out of 3,082 bridges in FY 2005)		97.6	97.4	97	96.7	96

<b>Percentage of Bridges in Poor Condition</b>		<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<u>Bridge Type</u>						
Reinforced Concrete	(19 bridges in FY 2005)	1.4	2	2	3	4
Prestressed Concrete	(7 bridges in FY 2005)	0.5	0.5	0.5	0.5	1
Steel	(21 bridges* in FY 2005)	5.7	6.5	7	8	9
Timber	(28 bridges in FY 2005)	30.8	30	31	30	29
Statewide - All Bridges (75 out of 3,082 bridges in FY 2005)		2.4	2.6	3	3.3	4

\*The steel bridge ratings for FY2005 include 24 ferry terminal structures rated as fair or better and six ferry terminal structures rated as poor. While the terminals are included in a depreciable asset category, they are included here with bridge condition information since they are evaluated by the WSDOT Bridge Office on a periodic basis.

Note: Bridges rated as poor may have structural deficiencies that restricted the weight and type of traffic

allowed. WSDOT currently has 12 posted bridges and 146 restricted bridges. Posted bridges have signs posted which inform of legal weight limits. Restricted bridges are those where overweight permits will not be issued for travel by overweight vehicles. Refer to <http://www.wsdot.wa.gov/freight/mcs/> for more information. Any bridges determined to be unsafe are closed to traffic. WSDOT had no closed bridges as of June 30, 2005.

Additional information regarding the Department of Transportation's bridge inspection program may be obtained at: <http://www.wsdot.wa.gov/eesc/bridge/index.cfm>

## Emergency Air Field Condition

The Washington State Department of Transportation (WSDOT), through its Aviation Division is authorized by RCW 47.68.100 to acquire and maintain airports. Under this authority, WSDOT owns eight emergency airfields and leases several others. Most of the airfields are located near or adjacent to state highways and range in character from paved to gravel or turf. The prime task of the airfields is to provide emergency facilities. Two

airfields are in operational condition 12 months of the year, with five operational from June to October each year. One is only available for emergency search and rescue use. In accordance with WSDOT policy, maintenance is done on each airfield annually to keep it at its existing condition of use. Each airfield is inspected a minimum of three times per year.

The definitions below form the rating criteria for the current airfield condition ratings which follow.

Category	Definition
General Use Community Airport	An airport with a paved runway capable of handling aircraft with a maximum gross certificated takeoff weight of 12,500 pounds.
Limited Use Community Airport	An airport with an unpaved runway capable of handling aircraft with a maximum gross certificated takeoff weight of 12,500 pounds.
General Recreational Use Airport	An airport with a turf (unpaved) runway near access to recreational opportunities with capacity for aircraft less than 12,500 pounds.
Limited Search and Rescue Forward Operating Location	An airport with a landing pad only capable of accommodating rotorcraft.

### Condition Rating of Washington State Emergency Airfields

	<u>Number of Airports</u>				
<b>Owned airports:</b>					
Acceptable for general use as a community airport					
Acceptable for limited use as a community airport					
Acceptable for general recreation use					
Limited search and rescue forward operating location					
<b>Total owned airports</b>					
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Percentage of airports acceptable for general recreational use or better	88	88	88	88	88
Percentage of airports not acceptable for general recreational use or better	12	12	12	12	12

**Note:** One airport is open only as a limited search and rescue operating location and is expected to remain in that status. For pictures of specific airfields, refer to the Department of Transportation's website at:

<http://www.wsdot.wa.gov/Aviation/airports/default.htm>

## Information about Infrastructure Assets Reported Using the Modified Approach Comparison of Budgeted-to-Actual Preservation and Maintenance

For the Fiscal Year Ended June 30, 2005  
(expressed in thousands)

	FY 2002			FY 2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Pavements</b>						
Preservation	\$ 134,810	\$ 127,946	\$ 6,864	\$ 119,160	\$ 123,883	\$ (4,723)
Maintenance	23,746	19,485	4,261	22,796	24,123	(1,327)
Total	\$ 158,556	\$ 147,431	\$ 11,125	\$ 141,956	\$ 148,006	\$ (6,050)
<b>Bridges</b>						
Preservation	\$ 24,270	\$ 16,307	\$ 7,963	\$ 22,460	\$ 23,988	\$ (1,528)
Maintenance	11,430	11,012	418	11,222	12,853	(1,631)
Total	\$ 35,700	\$ 27,319	\$ 8,381	\$ 33,682	\$ 36,841	\$ (3,159)
<b>Emergency Air Fields</b>						
Preservation & Maint.	\$ 70	\$ 64	\$ 6	\$ 70	\$ 58	\$ 12

In addition to increasing and improving the state highway system, WSDOT places a high priority on preserving and maintaining the current highway system. WSDOT breaks out preservation and maintenance into two separate functions. Preservation can be described as projects that maintain the structural integrity of the existing highway system including roadway pavements, safety features, bridges, and other structures/facilities. The Maintenance function handles the day-to-day needs that occur such as guardrail replacement, patching pot holes, installing signs, vegetation control, etc.

In 1996 WSDOT embarked on an initiative to use outcome based performance measures for evaluating the effectiveness of the Maintenance Program. The Maintenance Accountability Process (MAP) is a comprehensive planning, measuring and managing process that provides a means for communicating the impacts of policy and budget decisions on program service delivery. WSDOT uses it to identify investment choices and affects of those choices in communicating with the legislature and other stakeholders. The MAP measures and communicates the outcomes of 34 distinct highway maintenance activities. Maintenance results are measured via field condition surveys and reported as Level of Service (LOS) ratings, which range from A to F. LOS targets are defined in terms of the condition of various highway features (i.e. percent of guardrail on the highway system that is damaged) and are set commensurate with the level of funding provided for the WSDOT highway maintenance program. More

information about MAP may be obtained at: <http://www.wsdot.wa.gov/maintenance/accountability.htm>.

**Notes:** Numbers for the Pavement and Bridges budget amounts are calculated based on the 2003-2005 biennial plan as shown in the WSDOT May 2005 *Monthly Financial Report* for sub-programs P1 (Roadway Preservation), P2 (Structures Preservation), and M2 (Roadway, Bridge & Tunnel maintenance). For FY 2005, the annual budget amount was calculated as half the biennial amount plus any FY 2005 increase to the budget. The Preservation budgeted and actual amounts were adjusted for capitalized infrastructure and equipment in FY 2005.

The emergency airfields (program F3, State Airport Construction and Maintenance) budget amount came from the same sources as for pavements and bridges described above but is only one-fourth of the biennial total plus 1/2 of the FY 2005 increase to the budget.

The state implemented the requirements of Statement Number 34 of the Governmental Accounting Standards Board (GASB), including the provisions related to capitalizing and reporting infrastructure on the modified approach, in Fiscal Year 2002. While budget to actual information is not available for years prior to Fiscal Year 2002 using the GASB definitions of preservation and maintenance, historical budget to actual information for the entire Construction and Maintenance programs is available by contacting the WSDOT Budget Office at (360) 705-7500.

FY 2004			FY 2005		
Budget	Actual	Variance	Budget	Actual	Variance
\$ 116,902	\$ 107,229	\$ 9,673	\$ 118,055	\$ 122,868	\$ (4,813)
21,254	18,064	3,190	20,657	18,715	1,942
<u>\$ 138,156</u>	<u>\$ 125,293</u>	<u>\$ 12,863</u>	<u>\$ 138,712</u>	<u>\$ 141,583</u>	<u>\$ (2,871)</u>
\$ 30,637	\$ 24,780	\$ 5,857	\$ 16,768	\$ 14,332	\$ 2,436
11,292	11,267	25	11,159	11,151	8
<u>\$ 41,929</u>	<u>\$ 36,047</u>	<u>\$ 5,882</u>	<u>\$ 27,927</u>	<u>\$ 25,483</u>	<u>\$ 2,444</u>
<u>\$ 70</u>	<u>\$ 71</u>	<u>\$ (1)</u>	<u>\$ 108</u>	<u>\$ 129</u>	<u>\$ (21)</u>





**Washington State Auditor  
Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

December 20, 2005

The Honorable Christine Gregoire  
Governor, State of Washington

Dear Governor Gregoire:

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, 2005, and have issued our report thereon dated December 20, 2005. We did not audit the financial statements of the Department of Retirement Systems and the Local Government Investment Pool, which represent 12 percent and 49 percent, respectively of the assets and revenues/additions of the aggregate discretely presented component units and remaining fund information. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department of Retirement Systems and the Local Government Investment Pool, is based upon their reports.

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.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the State's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to

the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters that we have reported to the management of the State of Washington in separate letters issued at the state agency level.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the State's financial statements are free of 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, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we have reported to the management of the State of Washington in separate letters issued at the state agency level.

This report is intended for the information and use of management of the State and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**

STATE AUDITOR



## Washington State Auditor Brian Sonntag

May 2, 2006

### **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Christine Gregoire  
Governor, State of Washington

Dear Governor Gregoire:

#### Compliance

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) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The state's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the state's management. Our responsibility is to express an opinion on the state's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination on the state's compliance with those requirements.

As described in findings 05-01 to 05-28, in the accompanying schedule of findings and questioned costs, the state of Washington did not comply with requirements regarding: activities allowed or unallowed; allowable costs and cost principles; and special tests and provisions that are applicable to its Medicaid program. Compliance with such requirements is necessary, in our opinion, for the state of Washington to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the state complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings 05-29 through 05-59.

In addition, we noted certain matters involving immaterial noncompliance that we have reported to the management of the state of Washington in separate letters issued at the state agency level.

### Internal Control Over Compliance

The management of the state is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the state's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

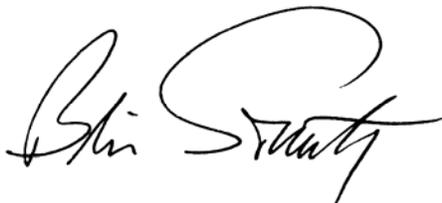
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the state's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as findings 05-01 to 05-04, 05-06, 05-08 to 05-12, 05-15 to 05-16, 05-23 to 05-26, 05-28 to 05-30, 05-35 and 05-53.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider all the findings listed in the prior paragraph to be material weaknesses.

### Schedule of Expenditures of Federal Awards (note 1)

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, 2005, and have issued our report thereon dated December 20, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the state of Washington's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of state management and federal awarding agencies and pass-through entities. 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.



**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

Note 1: The date of our report on compliance and internal control is May 2, 2006. The date of our opinion on the schedule of expenditures of federal awards is February 23, 2006.

**Schedule of Findings and Questioned Costs**  
 For the Fiscal Year Ended June 30, 2005

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**Summary of Auditor's Results**

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FINANCIAL STATEMENTS

- We issued an unqualified opinion on the state's financial statements.
- We found no significant deficiencies in the design or operation of internal control over financial reporting that we consider a reportable condition.
- We noted no instances of noncompliance that were material to the financial statements of the state.

FEDERAL AWARDS

- Except for the Medicaid program, we issued an unqualified opinion on the state's compliance with requirements applicable to each of its major federal programs.
- We noted deficiencies in the design or operation of internal control over major federal programs that we consider to be reportable conditions. The following reportable conditions noted in this schedule are considered material weaknesses: 05-01 to 05-04, 05-06, 05-08 to 05-12, 05-15 to 05-16, 05-23 to 05-26, 05-28 to 05-30, 05-35 and 05-53.
- We reported findings that are required to be disclosed under OMB Circular A-133, Section 510(a).
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, Section 520(b), was \$28,759,600.
- The state did not qualify as a low risk auditee under OMB Circular A-133, Section 530.
- The following were major programs, determined in accordance with OMB Circular A-133, Section 520:

<b>CFDA</b>	<b>PROGRAM</b>
10.551 10.561	<u>Food Stamp Cluster</u> Food Stamps State Administrative Matching Grants for Food Stamp Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
12.401	National Guard Military Operations & Maintenance (O&M) Projects

**Schedule of Findings and Questioned Costs**  
 For the Fiscal Year Ended June 30, 2005

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**Summary of Auditor's Results-** continued

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<b>CFDA</b>	<b>PROGRAM</b>
17.225	Unemployment Insurance (UI)
17.245	Trade Adjustment Assistance--Workers
17.258 17.259 17.260	<u>WIA Cluster</u> WIA Adult Program WIA Youth Activities WIA Dislocated Workers
20.205	Highway Planning & Construction
64.005	Grants to States for Construction of State Home Facilities
66.458	Capitalization Grants for Clean Water State Revolving Funds
84.010	Title I Grants to Local Educational Agencies (LEAs)
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States
93.268	Immunization Grants
93.283	Center for Disease Control and Prevention Investigations and Technical Assistance
93.389	National Center for Research Resources/Research Infrastructure
93.556	Promoting Safe and Stable Families
93.558	Temporary Assistance to Needy Families (TANF)

**Schedule of Findings and Questioned Costs**  
 For the Fiscal Year Ended June 30, 2005

**Summary of Auditor's Results-** continued

<b>CFDA</b>	<b>PROGRAM</b>
93.568	Low-Income Home Energy Assistance
93.575 93.596	<u>CCDF Cluster</u> Child Care and Development Block Grant Child Care Mandatory and Matching Funds for the Child Care and Development Fund
93.658	Foster Care—Title IV-E
93.659	Adoption Assistance
93.767	State Children's Health Insurance Program (SCHIP)
93.775 93.777 93.778	<u>Medicaid Cluster</u> State Medicaid Fraud Control Units State Survey and Certification of Health Care Providers and Suppliers Medical Assistance Program (Medicaid: Title XIX)
93.959	Block Grant for Prevention and Treatment of Substance Abuse
96.001 96.006	<u>Disability Insurance/SSI Cluster</u> Social Security—Disability Insurance (DI) Supplemental Security Income (SSI)
84.007 84.032 84.033 84.038 84.063 84.268 84.364	<u>Student Financial Assistance Programs</u> Federal Supplemental Educational Opportunity Grants Federal Family Education Loans Federal Work-Study Program Federal Perkins Loan Program Federal Capital Contributions Federal Pell Grant Program Federal Direct Student Loans Literacy Through School Libraries
Various	Research and Development Cluster

**Schedule of Findings and Questioned Costs**  
For the Fiscal Year Ended June 30, 2005

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**Financial Statement Findings**

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None reported. However, we do report instances of noncompliance with state laws and regulations that are not material to the state's basic financial statements in separate agency accountability reports. These reports are available on our internet site at [www.sao.wa.gov/](http://www.sao.wa.gov/).

**Schedule of Findings and Questioned Costs**  
 For the Fiscal Year Ended June 30, 2005

**Summary of Federal Findings**

<b>Finding Number</b>	<b>Finding</b>
05-01	The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), does not have procedures to identify treatments and services that may not be allowable for reimbursement under the State Medicaid Plan.
05-02	The Department of Social and Health Services, Aging and Disability Services Administration, does not have adequate controls to ensure that all alleged violations and complaints of abuse and neglect are investigated in accordance with federal law.
05-03	The Department of Social and Health Services, Aging and Disability Services Administration, does not perform certification surveys of Intermediate Care Facilities for the developmentally disabled according to federal law.
05-04	The Department of Social and Health Services, Aging and Disability Services Administration does not have a process to impose sanctions, recover funds, schedule or hold hearings for Intermediate Care Facilities for the Developmentally Disabled that are not in substantial compliance with federal health and safety standards.
05-05	The Department of Health is not conducting hospital surveys according to the frequency stipulated by state law and the Medicaid State Plan.
05-06	The Department of Health and the Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), are not ensuring compliance with federal law regarding hospital surveys.
05-07	The Department of Health and the Department of Social and Health Services, Health and Recovery Services Administration, agreement covering hospitals' survey activities does not comply with federal requirements.
05-08	The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), received federal Medicaid funds for unallowable services provided to undocumented aliens.
05-09	The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), is not complying with federal requirements to defer Medicaid expenditures related to undocumented aliens.
05-10	The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), has not established sufficient internal controls to support its decisions on eligibility of clients enrolled in Medicaid's Basic Health Plus Program.

**Schedule of Findings and Questioned Costs**  
 For the Fiscal Year Ended June 30, 2005

**Summary of Federal Findings - continued**

Finding Number	Finding
05-11	The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), does not have procedures to determine whether expenditures for anabolic steroids are allowable under the Medicaid program.
05-12	The Department of Social and Health Services is not adequately reviewing pharmaceutical claims to identify patterns of fraud and abuse.
05-13	The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), is not in compliance with the federal Medicaid requirements for reporting adult victims of residential abuse to the Medicaid Fraud Control Unit.
05-14	The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), does not perform adequate reviews of providers of durable medical equipment to ensure the providers exist, are properly licensed and have submitted accurate information.
05-15	The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), has not established sufficient internal controls to prevent Medicaid payments for services provided after a client's death or to prevent payments for services provided to individuals using the Social Security number of a deceased person.
05-16	The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), did not ensure that home health agencies providing services under the Medicaid program complied with federal surety bond requirements.
05-17	The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), does not have adequate reviews of home health agencies to ensure providers are licensed, Medicare certified and have signed a Core Provider Agreement as required by law.
05-18	The Department of Health does not retain documentation that would provide evidence to ensure all home health agency providers performed criminal background checks and obtained disclosures on employees having unsupervised access to vulnerable adults, as the law requires.
05-19	The Department of Social and Health Services, Aging and Disability Services Administration, does not ensure providers of home health care services are Medicare-certified as required by the Medicaid State Plan.
05-20	The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), is not complying with federal regulations that require people receiving Medicaid benefits to have valid Social Security numbers.

**Schedule of Findings and Questioned Costs**  
 For the Fiscal Year Ended June 30, 2005

**Summary of Federal Findings - continued**

<b>Finding Number</b>	<b>Finding</b>
05-21	The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), has not established internal controls sufficient to ensure payment rates to its Healthy Options managed care providers are based on accurate data.
05-22	The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), made supplemental Medicaid payments to public hospital districts totaling \$41,154,000 without a federally approved payment methodology.
05-23	The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), does not ensure that providers of motorized wheelchairs have the documentation required to substantiate claims for payment.
05-24	The Department of Social and Health Services, Office of Financial Recovery and Health and Recovery Services Administration (formerly Medical Assistance Administration), does not have adequate internal controls to ensure that final settlement amounts are refunded to the federal government and in a timely manner.
05-25	The Department of Social and Health Services' Office of Accounting Services does not have adequate internal controls to ensure the federal portion of uncashed and cancelled warrants is refunded at the appropriate rate to the federal Medicaid Program.
05-26	The Department of Social and Health Services' Office of Accounting Services does not have sufficient controls to ensure that the federal portion of uncashed warrants is refunded to the Medicaid Program in a timely manner.
05-27	The Department of Social and Health Services, Aging and Disability Services Administration and Health and Recovery Services Administration (formerly Medical Assistance Administration), has not set up an effective system to ensure Medicaid payments are not being made to nursing homes that are not in compliance with federally mandated health and safety standards.
05-28	The Department of Social and Health Services paid providers with Medicaid funds through the Social Services Payment System for services to clients using Social Security numbers belonging to deceased persons.
05-29	The Department of Social and Health Services does not have adequate internal controls over the processing of expenditures through the Agency Financial Reporting System.
05-30	The Department of Social and Health Services, Division of Child Care and Early Learning, does not have adequate internal controls over support for payments to child care providers.

**Schedule of Findings and Questioned Costs**  
For the Fiscal Year Ended June 30, 2005

**Summary of Federal Findings - continued**

<b>Finding Number</b>	<b>Finding</b>
05-31	The Department of Social and Health Services, Division of Child Care and Early Learning and Children's Administration, did not perform adequate background checks.
05-32	The Department of Social and Health Services, Economic Services Administration, reimbursed contractors for services that were not adequately supported.
05-33	The Department of Social and Health Services made unallowable duplicate payments through the Social Services Payment System.
05-34	The Department of Social and Health Services does not ensure that all recovered overpayments are credited to the appropriate funding source.
05-35	The Department of Social and Health Services does not have adequate internal controls over the Social Service Payment System.
05-36	The Department of Social and Health Services, Economic Services Administration, should improve compliance with eligibility requirements for the Temporary Assistance for Needy Families Program.
05-37	The Department of Social and Health Services, Economic Services Administration, does not adequately monitor other state agencies to which it provides funds from the federal Temporary Assistance to Needy Families Program.
05-38	The Department of Social and Health Services, Economic Services Administration, did not comply with state and federal regulations requiring a monthly inventory of electronic benefit transfer cards used by the Food Stamp Program.
05-39	The Department of Social and Health Services, Division of Disability Determination Services, did not comply with state and federal regulations when contracting for services paid with Social Security Disability Insurance Program funds.
05-40	The Department of Social and Health Services, Division of Disability Determination Services, reported incorrect expenditures for the Social Security Disability Insurance Program on several reports, including the Schedule of Expenditures of Federal Awards.
05-41	The Department of Social and Health Services, Division of Disability Determination Services, received reimbursement for unallowable costs for the Social Security Disability Insurance Program.

**Schedule of Findings and Questioned Costs**  
For the Fiscal Year Ended June 30, 2005

**Summary of Federal Findings - continued**

<b>Finding Number</b>	<b>Finding</b>
05-42	The Department of Social and Health Services, Health and Recovery Services Administration, claimed costs for unallowable activities under the State Children's Health Insurance Program.
05-43	The Department of Social and Health Services, Mental Health Division, did not comply with state laws or the Department's policies and procedures for recovering a Community Mental Health Services Block Grant overpayment reported in the previous audit.
05-44	The Department of Social and Health Services, Mental Health Division, did not comply with state and federal regulations when contracting for services paid with federal Community Mental Health Services Block Grant funds.
05-45	The Department of Social and Health Services, Mental Health Division, did not comply with federal requirements for independent peer reviews of the Community Mental Health Services Block Grant.
05-46	The Department of Social and Health Services, Mental Health Division, is not complying with subrecipient monitoring requirements for the Community Mental Health Services Block Grant.
05-47	The Department of Community, Trade, and Economic Development did not comply with state and federal regulations when contracting for services paid with federal Low Income Home Energy Assistance Program funds.
05-48	The Department of Community, Trade, and Economic Development, Energy Assistance Section, is not complying with subrecipient monitoring requirements for the Low Income Home Energy Assistance Program.
05-49	The Department of Community, Trade, and Economic Development did not comply with earmarking requirements for the Low Income Home Energy Assistance Program.
05-50	Certain University of Washington departments' controls are not working effectively to ensure Time And Effort Certification forms are completed in a timely manner and to ensure monthly certification of salaries and wages paid for federal programs are completed as required.
05-51	The University of Washington did not submit financial status reports in a timely manner.
05-52	The Department of Community, Trade, and Economic Development did not comply with federal requirements for suspension and debarment for the Home Investment Partnership Program.

**Schedule of Findings and Questioned Costs**  
 For the Fiscal Year Ended June 30, 2005

**Summary of Federal Findings - continued**

<b>Finding Number</b>	<b>Finding</b>
05-53	The Department of Employment Security has inadequate internal controls over payments to claimants for unemployment insurance benefits.
05-54	The Employment Security Department did not comply with federal requirements for suspension and debarment for the Workforce Investment Act and Unemployment Insurance programs.
05-55	The Military Department is not properly accounting for and safeguarding assets purchased by the National Guard Military Operations and Maintenance Projects Program.
05-56	The Military Department is not in compliance with subrecipient monitoring requirements for the State Domestic Preparedness Equipment Support Program.
05-57	The Military Department was reimbursed for unallowable charges for the National Guard Military Operations and Maintenance Projects Program.
05-58	The Department of Ecology is not complying with subrecipient monitoring requirements for the Clean Water State Revolving Funds Program.
05-59	The State of Washington is not complying with federal requirements for time and effort reporting for some of the programs it administers.

**Schedule of Findings and Questioned Costs**  
For the Fiscal Year Ended June 30, 2005

**Summary of Questioned Costs**

<b>Federal Grantor</b>	<b>State Agency</b>	<b>CFDA No.</b>	<b>Federal Program</b>	<b>Questioned Costs</b>	<b>Finding No.</b>
U.S. Department of Health and Human Services	Department of Social and Health Services	93.778	Medicaid	\$80,363,063	05-01 to 05-28
U.S. Department of Health and Human Services	Department of Social and Health Services	93.575 93.596 93.558 93.667	Childcare Cluster Child Care and Development Fund Temporary Assistance for Needy Families Social Services Block Grant	\$800,000	05-30
U.S. Department of Agriculture	Department of Social and Health Services	10.561	State Administrative Matching Grants for the Food Stamp Program	\$136,891	05-32
U.S. Department of Health and Human Services	Department of Social and Health Services	93.658 93.659 93.778	Foster Care Title IV-E Adoption Support Medicaid	\$ 6,480 \$ 3,000 \$35,398	05-33
U.S. Department of Health and Human Services	Department of Social and Health Services	93.558	Temporary Assistance for Needy Families	\$7,516,082	05-37
U.S. Department of Health and Human Services	Department of Social and Health Services	96.001	Social Security— Disability Insurance (DI)	\$7,740,327 \$76,021	05-39 05-41
U.S. Department of Health and Human Services	Department of Social and Health Services	93.767	State Children’s Insurance Program	\$1,573,409	05-42
U.S. Department of Health and Human Services	Department of Community, Trade and Economic Development	93.568	Low-Income Home Energy Assistance	\$60,000 \$476,609	05-47 05-49
U.S. Department of Labor	Employment Security Department	17.225 <b>(Note 1)</b>	Unemployment Insurance	\$54,523	05-53
U.S. Department of Defense	Military Department	12.401	National Guard Military Operations and Maintenance Projects Program	\$1,486,473 \$24,939	05-56 05-57

**Schedule of Findings and Questioned Costs**  
For the Fiscal Year Ended June 30, 2005

**Summary of Questioned Costs - continued**

<b>Federal Grantor</b>	<b>State Agency</b>	<b>CFDA No.</b>	<b>Federal Program</b>	<b>Questioned Costs</b>	<b>Finding No.</b>
U.S. Department of Justice	Department of Social and Health Services	16.523	Juvenile Accountability Incentive Block Grant	\$24,849	05-59
U.S. Department of Education		84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	\$101,618	
U.S. Department of Health and Human Services and the	Department of Community, Trade and Economic Development	93.568	Low Income Home Energy Assistance Program	\$16,843	
U.S. Department of Defense	Military Department	12.401	National Guard Military Operations and Maintenance Projects Program	\$217,630	
Department of Justice Department of Homeland Security		16.007 & 97.004 (Note 2)	State Domestic Preparedness Equipment Support Program	\$353,000	
<b>TOTAL</b>				<b>\$101,067,155</b>	

**Note 1** – The costs listed in finding 05-53 relate to unemployment benefits paid from state unemployment tax revenues that are deposited into Unemployment Trust Fund. Although these payments are not costs charged to a federal award, they are subject to audit under OMB Circular A-133 and reported in a manner similar to federal questioned costs.

**Note 2** – This finding 05-59 relates to federal funding that was initially funded by the U.S. Department of Justice but the program was transferred to the U.S. Department of Homeland Security.

**Schedule of Findings and Questioned Costs**  
For the Fiscal Year Ended June 30, 2005

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**Federal Findings and Questioned Costs**

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**05-01 The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), does not have procedures to identify treatments and services that may not be allowable for reimbursement under the State Medicaid Plan.**

**Background**

In our audit of 2004, we found charges for treatments and services that did not appear to comply with the State Medicaid Plan's descriptions of allowable services. Specifically, we found clients who appeared to have received elective surgical procedures for purposes other than remedying health conditions. Diagnostic and procedure codes on providers' claims for reimbursement indicated these procedures included cosmetic and other elective surgeries that might not be allowable with Medicaid funds or that would require pre-authorization. We performed our review with the information that was available to us. However, we encountered difficulties in obtaining information as follows:

- We were not provided access to line staff at the Administration's Division of Medical Management and were unable to obtain information from consultants to help us determine what controls were in place and whether the procedures were pre-authorized.
- We did not receive requested documentation in a timely manner. We were given the information after our audit ended.

**Description of Condition**

In our current audit, we performed computer analysis of 22 of the diagnosis and procedure codes identified in our previous audit that appeared to be unallowable, cosmetic or requiring pre-authorization. We found 1,582 transactions totaling \$325,784 for these procedures. From these transactions, we selected three diagnostic areas to review further. Our selection was based on the amount of claims paid by the Administration for these procedures and the risk that these expenditures may not be considered medically necessary under the Medicaid program. We selected:

- Clients that received breast enlargements.
- Clients that received breast reductions.
- Clients that received surgeries for trans-sexualism, or pre- or post-surgery hormone treatment, or other related treatment.

From these groupings, we selected 28 clients. Nineteen were from the first two groups and nine from the last group. We obtained medical records pertaining to treatment of these clients directly from the providers, when we were able, and reviewed each for medical necessity and pre-authorization by the Division of Medical Management.

For the 19 clients receiving surgeries of the breast we found three (16 percent) were not required for reconstruction due to cancer or to alleviate pain. Costs related to these clients totaled \$4,795.

From the last category:

- We found one client who received the surgery. The expenditures paid under the diagnosis code for trans-sexualism totaled \$70,998 with \$56,257 paid in 2002, \$11,487 in 2003 and \$3,253 in 2004. We have evidence showing the Department initially considered these procedures "non-covered service". We also have evidence that this care was pre-authorized pursuant to a settlement agreement. The agreement

authorized the Department to pay for some of the procedures, but would not pay for surgeries related to cosmetic procedures. We did see evidence that one of the procedures was cosmetic. In addition, the Department's records indicated that it paid, at least in part, for transportation to the distant state where procedures were performed.

- One client apparently paid for some of the surgery. We have evidence that pre-authorization was requested by both client and physician for other surgical procedures related to the transition but was denied by the Department. However, we found authorization for some procedures. It was not clear from the documentation provided by the Department why some procedures were considered medically necessary and others were not. The expenditures paid on behalf of this client under the trans-sexual diagnostic code were \$1,440.
- The other seven clients had expenditures coded under the diagnostic code for trans-sexualism, but for procedures that did not include the surgery. Some of these procedures included skin grafts, office visits and therapeutic, prophylactic or diagnostic injections. The Department reports no authorization was given for payments under the diagnostic code for trans-sexualism on behalf of these clients but provided no evidence that would support these representations. We do not know if these clients requested care and were denied or if the payments were paid without going through the pre-authorization process. Expenditures for these seven clients totaled \$18,707.

Due to the highly sensitive nature of these medical procedures and the fact that "medical necessity" as defined in the Medicaid State Plan and Washington Administrative Code is broad enough to cover almost any interpretation, we consulted with the U.S. Department of Health and Human Services, Office of the Inspector General for additional guidance. Our discussions with the federal government indicated such procedures generally would not be considered allowable expenditures for federal Medicaid dollars.

The purpose of our review was not to identify all trans-sexual clients. The code identifying trans-sexual surgeries was found in our previous audit while performing other audit procedures and we followed up as required by federal audit standards. We do not know if other clients received treatments for trans-sexual surgeries. Transition procedures may have been paid under codes other than those designated for trans-sexualism.

### **Cause of Condition**

The Administration has no procedures for documenting its approval or denial of requests for authorization.

### **Effect of Condition**

We found charges for treatments and procedures which the federal government indicated would generally not be considered allowable for federal Medicaid dollars. However, our testing showed that the Department was unable to provide support for their decisions of medical necessity for certain procedures. This was often due to no supporting documentation. In cases that were preauthorized we could not determine why some procedures were considered allowable while others were not. We also found clients who appeared to have received elective surgical procedures for purposes other than remedying health conditions. The total questioned costs of these procedures were \$95,940. Of this amount \$47,970 was paid with federal funds.

Because the costs related to trans-sexual surgeries occur over a period of time and are likely to continue over the individual's lifetime, the total cost of care for clients receiving these procedures is unknown. Additionally, we do not know if any other services, unrelated to physical treatments such as psychosexual counseling, were paid on behalf of these clients and charged to the Medicaid program.

### **Recommendation**

We recommend the Department:

- Ensure procedures that are not medically necessary or are for purposes other than remedying health conditions are not paid for with federal Medicaid funds.

- Consider amending its rule to better define “medically necessary”.
- Provide consistent treatment of all clients requesting services that may not be covered and be sure such decisions are adequately documented.
- Work with U.S. Department of Health and Human Services to determine if any costs charged to Medicaid federal funds must be reimbursed as a result of this noncompliance.

### **Department’s Response**

*The Department partially agrees with the finding.*

#### ***Breast Enlargement and Reduction Surgeries***

*With respect to breast enlargement and reduction surgeries, the Department currently manages breast reduction and enlargement under the expedited prior authorization (EPA) program. This program is intended to manage services that are often provided under the appropriate medical circumstances, but which do require some review. This program allows authorization staff to focus on reviewing those services that do not meet an established threshold. The criteria establishing the medical necessity of services in the EPA program is published in the Department’s billing instructions and providers are required to certify the criteria were met at the time a service is performed. All providers, physicians and the hospital, which bill for services associated with performing the service, are asked to prepare the claim form using the authorization code designated for that service.*

*To assure funds were not disbursed for treatment that was not medically necessary, a review was conducted on the four clients whose names were provided to the Health and Recovery Services Administration (HRSA) as having received breast reduction mammoplasties without documented justification. This review confirmed the physicians for each of these clients certified the medical necessity of the surgery using the EPA process as described above. To validate the appropriateness of the physician’s certification, the diagnosis history established from the all professional claims were reviewed for each patient. Each of the clients had been receiving medical care to treat pain, disc disease and radiculitis of the neck and back. It was also documented one client suffered from osteoporosis of the spine. These diagnoses were established at least six months prior to the surgical dates for each of the clients. It was also noted one patient had a lump removed for pathological evaluation from her breast on the same day of the mammoplasty. The Department will conduct a review of the medical record from the treating physician’s office to verify these diagnoses were indeed present and a factor in the decision to perform the surgeries. It will also be determined if there were any other symptoms or conditions being treated to justify this intervention. This review will be completed by June 30, 2006. If indicated, monies will be recovered.*

*In addition, by April of 2006, the Division of Medical Management will hire a registered nurse to conduct analytical reviews of provider compliance and success of the EPA program. This staff member will evaluate the utilization and cost of every service managed via EPA to determine whether this type of authorization is effective at maintaining an acceptable rate of utilization and cost for that service. If a service is not able to be managed under this program it will be placed on a list of services requiring prior authorization.*

#### **Gender Reassignment Surgery:**

*A review of Department records shows that two clients have received gender reassignment surgery since 2000, one of which was preauthorized as a result of the settlement agreement referenced above. A third client received corrective surgery for a gender reassignment performed out of the country and not paid for by Medicaid. Total costs paid to date for these three instances totals \$96,894: \$84,237 for the procedures authorized under the settlement agreement, \$28,592 for the second reassignment surgery, and \$12,657 for the corrective surgery for a gender reassignment.*

*At this time, three additional clients have appealed the Department’s denial of their requests for gender reassignment surgery to Office of Administrative Hearings. In one case the Administrative Law Judge has entered a decision overruling the department’s denial and requiring the department to perform the surgery. The Department*

*is appealing this decision. A second appeal was heard in January 2006, and we are waiting for the decision to be issued. A third appeal is scheduled for a hearing in April, 2006. If the Department does not prevail in these appeal proceedings we will be required to cover these surgical procedures.*

*The Department is pursuing a change to its policy with respect to gender reassignment surgery to make the procedure a non-covered service. We anticipate that the rule making process will be completed and the revised policy will be in place by December 31, 2006. However, even with this revised policy, clients still have access to the Medicaid program appeal process. If the client successfully appeals, the Department will be obliged to pay for these services. In those cases, we will claim federal matching funds and historically CMS has not challenged those claims.*

*HRSA received many claims for the clients noted in the audit finding that were denied because of not having prior authorization. However, claims were paid for the above clients for one or more of the following reasons:*

- *Prior authorization was obtained and medically necessary services were authorized or allowed on the order of an Administrative Law Judge.*
- *The clients were dual eligible and their associated medical claims represent “crossover” claims consistent with Medicare medical necessity.*
- *The gender diagnosis was listed as a secondary diagnosis, and the claim was paid for a procedure that did not require prior authorization.*

#### **Auditor’s Concluding Remarks**

The Department states that the criteria establishing the medical necessity of services in the Expedited Prior Authorization program is published in the Department’s billing instructions and providers are required to certify that criteria were met at the time a service is performed. The State Auditor’s Office holds that, since the provider stands to materially gain, this individual should not be the Department’s internal control in determining or certifying the medical necessity of services for the Medicaid program. It is our position that the Department, upon reviewing the documentation sent by the provider, would be in the best position to objectively determine medical necessity.

We were not provided with any evidence to support the Department’s claims that the exceptions we took were medically necessary. Documentation that we obtained directly from the provider does not indicate these procedures conformed to the definition of medically necessary as stipulated in the Medicaid State Plan or the Washington Administrative Code.

With regard to the gender reassignment surgery, the Department’s response includes information that we were not given the opportunity to review or makes representations that contradict what we found during our testing.

With respect to the Department’s justifications for paying claims for which there was no evidence of prior authorization:

- After our testing was concluded, we were provided with one settlement agreement entered in an appeal before an Administrative Law Judge. We have evidence that this was a negotiated settlement between the Department and the client but we do not know if there was an administrative order to accompany it. Additionally, the Department did not provide us with any evidence nor did the settlement agreement indicate that the Department required all of the multidisciplinary evaluations specified in the Washington Administrative Code for gender dysphoria. Moreover, other than a statement in the agreement that the Department indicated gender reassignment surgery appeared to be medically necessary, we do not know what this determination was based on. The settlement agreement also states that the preoperative assessment was not yet complete.
- The settlement agreement did not state how it complied with all of the evaluations required by the Washington Administrative Code rule for gender dysphoria nor were we provided with other evidence that demonstrated such compliance. Although federal matching funds are available to carry out hearing decisions, the federal regulation specifies that hearing decisions identify the regulations and evidence that

support the decision. The settlement agreement does not have these elements and does not conform to 42CFR431.244(d) or (e).

- We were not provided with any evidence to support the Department's claim that the "crossover" claims were considered medically necessary under the Medicare program. Our audit tested compliance for the Medicaid program and thus we would have no reason to review the requirements of any other program.
- Some of the expenditures listed in the Department's records did not indicate the medical procedure that was performed to justify the expenditure. Thus, for some expenditures we do not know what the Department actually paid for. We found this condition to be present in other tests we performed during this audit. The Department has not provided any evidence that any claim we questioned was paid for was a procedure that did not require prior authorization.

We reaffirm our finding and our recommendations.

### **Applicable Laws and Regulations**

The Department acknowledges the authority of the Medicaid State Plan and states its commitment to abide by it. Section 1.1 of the State Plan states:

As a condition for receipt of Federal funds under title XIX of the Social Security Act, the Department of Social and Health Services submits the following State plan for the medical assistance program, and hereby agrees to administer the program in accordance with the provisions of this State plan, the requirements of titles XI and XIX of the Act, and all applicable Federal regulations and other official issuances of the Department.

The State Plan, Attachment 3.1-B, Section 5.a. describes limitations on physicians' services, whether furnished in the office, the patient's home, a hospital, a nursing facility or elsewhere. Subsection (1) includes as one of the limitations:

Exceptions for noncovered services and service limitations are allowed when medically necessary and prior authorized by the department.

Medicaid State Plan and Washington Administrative Code 388-500-0005, state in part:

Medical necessity or medically necessary - a term describing a requested service which is reasonably calculated to prevent, diagnose, correct, cure, alleviate, or prevent the worsening of conditions in the recipient that endanger life or cause suffering or pain or result in illness or infirmity or threaten to cause or aggravate a handicap or cause a physical deformity or malfunction, and there is no other equally effective, or more conservative or substantially less costly course of treatment available or suitable for the person requesting services . . . .

Washington Administrative Code 388-531-0100, states in part:

(5) MAA covers the following physician-related services

(g) Gender dysphoria surgery and related procedures, treatment, prosthetics, or supplies when recommended after a multidisciplinary evaluation including at least urology, endocrinology and psychiatry . . . .

WAC 388-86-200 (2) (g), which existed contemporaneously at the time of the settlement agreement, states in part:

2) . . . MAA shall specifically exclude from the scope of covered services:

(g) Procedures, treatment, prosthetics or supplies related to gender dysphoria surgery except when recommended after a multidisciplinary evaluation including but no limited to urology, endocrinology and psychiatry . . . .

42CFR431.244 (d) and (e) requires that:

(d) In any evidentiary hearing, the decision must be a written one that—

- (1) Summarizes the facts; and
- (2) Identifies the regulations supporting the decision.

(e) In a de novo hearing, the decision must—

- (1) Specify the reasons for the decision; and
- (2) Identify the supporting evidence and regulations . . . .

**05-02      The Department of Social and Health Services, Aging and Disability Services Administration, does not have adequate controls to ensure that all alleged violations and complaints of abuse and neglect are investigated in accordance with federal law.**

**Background**

Intermediate care facilities for the developmentally disabled were created to care for individuals who are mentally disabled, which is determined based on specific criteria. Additionally, many of these individuals are non-ambulatory, have seizure disorders, behavioral problems, mental illness and/or visual or hearing impairments. Many developmentally disabled individuals receive treatment under the Medicaid program with much of this care provided in an institutional setting. Intermediate care facilities for the developmentally disabled provide active treatment programs in a protected residential setting that includes 24-hour supervision.

Facilities that seek to care for the developmentally disabled under the Medicaid program must be certified. Federal law requires these facilities be surveyed each year to determine whether they are in substantial compliance with specific health and safety standards known as conditions of participation. The eight conditions of participation include 400 standards that are intended to regulate these facilities. In order for a provider to participate in the Medicaid program and for the state to receive federal matching funds, federal law requires the facility comply with all the conditions of participation and the standards. Additionally, the state must make provisions and have a system for reporting and investigating allegations of provider fraud and client abuse, mistreatment and neglect.

**Description of Condition**

In another part of our audit we found that the Aging and Disability Services Administration does not inspect the facilities according to federal standards. However, the Administration believes that the facilities are well-monitored because it performs frequent investigations of complaints received throughout the year. The Administration reported it received approximately 25,000 complaints concerning residential care during 2004, the majority of which it stated were inconsequential.

In view of the number of complaints the Administration reported it receives and the noncompliance with federal survey requirements that we found in our other audit work this year, we attempted to review investigations of individual complaints to determine if controls were in place to ensure the complaint and investigation process for allegations of abuse and neglect are consistent with federal law.

We requested a list of all complaints from period January 1, 2003 through August 31, 2005. We were given a log that included a case number, a brief intake description relating the nature of the complaint and the priority the Administration assigned to it.

We found the type of information provided in the intake descriptions was not consistent and varied with respect to the amount of information provided. When we attempted to obtain additional information we were given a box of paperwork that was poorly organized and not cross-referenced. Additionally, these records were not available to us electronically. As a result, looking for potential patterns of abuse for certain clients and/or at specific facilities was not possible. At times we received information that conflicted with management's prior representations. Additionally, documentation that appeared to be available at one time could not be obtained at later dates.

In view of the large numbers of complaints, the allegations of abuse and neglect that we saw in the complaint intake descriptions and the lack of information from the Department for many of these cases, we reviewed this area for compliance with federal Medicaid regulations regarding investigating allegations of mistreatment, neglect or abuse. We selected 57 complaints for our review and found no detail documentation for 29 cases. And for 27 cases where we were able to find investigation reports, the information that we found in these reports gave us no reasonable assurance that the investigations were performed according to federal requirements.

For the reports that we could locate, our examination indicated the Department's investigations were only a review of documentation prepared by the facility during its own internal investigation and interviews with facility administrators and staff. Our review of the reports also indicated the Department's concerns centered mostly on whether the investigation was performed within the requisite five days.

### **Cause of Condition**

The Administration does not have an adequate process in place for ensuring complaints are investigated in accordance with federal law.

### **Effect of Condition**

By not following federal regulations for surveys and investigations, vulnerable clients may be abused or susceptible to abuse and neglect. If the state has reason to know such conditions are present at an intermediate care facility for the developmentally disabled and does not take appropriate action, federal and state governments are susceptible to substantial liability, placing tax dollars at risk.

The state is not eligible to receive federal matching funds for disbursements made to facilities whose health and safety standards are not in substantial compliance with federal law.

### **Recommendation**

We recommend the Department conduct complaint investigations according to federal law to ensure abuse and neglect of developmentally disabled individuals residing in intermediate care facilities is prevented and/or detected.

### **Department's Response**

*The Department agrees that allegations of abuse, neglect and mistreatment need to be investigated by the certified facility in accordance with federal law. There were statements written in the State Auditor's report with which the Department disagrees. The Department would like to clarify that the Department:*

- *Is not the primary investigative body for allegations of abuse in facilities;*
- *Is not the primary investigator of provider fraud;*
- *Does not believe that complaint surveys substitute for full surveys;*
- *Does not believe that the majority of complaints it receives are "inconsequential"; and*
- *Does not believe that complaint reports do not have to be complete.*

*The Department also disagrees with the report's apparent assumption that allegations it receives should always result in findings of deficient practice. Further, the Department does not agree that its processes related to allegations of abuse, neglect, and misappropriation are inconsistent with federal law.*

All complaint reports contain allegations. These allegations require further investigation to gather evidence to support or refute compliance with the regulations. The Department follows detailed processes to evaluate allegations and their possible connection to other allegations that have already been reported.

*The Code of Federal Regulations (CFR), 42 CFR 483 Subpart I, describes standards that must be followed by Intermediate Care Facilities for the Mentally Retarded (ICFs/MR) in order to protect individuals from abuse, neglect and mistreatment. According to the federal regulations at 42 CFR § 483.420(d), it is the responsibility of the ICF/MR to protect the residents, investigate allegations of abuse, neglect or mistreatment and fix any problem it uncovers. In contrast, the role of the Department is to:*

- *Evaluate the quality of investigations conducted by the ICF/MR; and*
- *Focus on whether or not the ICF/MR's investigations meet the federal regulations.*

*If the Department determines that the facility has not done a thorough investigation, it may be required to redo it or the Department may conduct the investigation.*

*The Department agrees that provider fraud and abuse need to be investigated according to federal law. The Department has a long-standing Memorandum of Understanding (MOU) with the Medicaid Fraud Control Unit (MFCU), in the Office of the Attorney General, which specifies how the process works. In compliance with the terms of the MOU, we refer complaint intake allegations to the MFCU that name a perpetrator, and where it appears that criminal activity has occurred in a Medicaid certified long-term care facility, including ICFs/MR.*

*We believe that there may have been some miscommunication during the course of the audit so we offer the following clarifications. The Department knows that complaint surveys do not take the place of certification surveys, and they are not used in that way. They provide additional opportunities to review facility practice, and enable a focused review of facility practice. Complaint surveys and certification surveys are complementary processes; they are not substitutions, additions or fill-ins for one another.*

*The report stated that the Department received approximately 25,000 complaints and that the majority of them were “inconsequential.” The Department strongly disagrees with this statement. The Department takes all complaints seriously, and none is considered inconsequential. Each complaint reflects a real problem or concern that may, upon review, warrant further action.*

*The report also identified the possible incompleteness of reports in a database. The Complaint Resolution Unit (CRU) system is our official complaint tracking system and it is complete.*

*The Department agrees that all of its on-site investigations should be documented, however it disagrees that it does not do so. Many of the complaints reflected multiple calls about one incident. The state auditor’s report lists 29 allegations called into the CRU and states there was “no documentation for 29 cases.” Several of the allegations were called in multiple times so there were only 20 different incidents. Thirteen of these 20 incidents were investigated. Each of the 13 investigated incidents has a documented report. Four of these investigations led to citations against the ICF/MR.*

*The state auditor’s report indicated that 27 “cases” had investigation reports but that there was no indication the investigations followed federal requirements. The Department believes these 27 cases reflect 20 different incidents. In 17 of these cases the Department, following the Centers for Medicare and Medicaid Services (CMS) investigation processes, found there was no failed practice by the ICF/MR. In two cases, the Department found failed practice and citations were issued to the facility. In the remaining report the Department referred to failed facility practice that had been cited under a different investigation. We reviewed the complaint intakes, narratives and working papers and found that we did follow the process and did address the issues on the intake form.*

*The CMS has oversight authority over the Department’s regulation of ICFs/MR. During the audit period CMS conducted six oversight reviews. Verbal feedback received from CMS regional office staff stated that the Department is following the federal inspection standards and should continue to follow the processes it is using.*

### **Auditor’s Concluding Remarks**

Residents of intermediate care facilities for the developmentally disabled are among our most vulnerable citizens. Many of these individuals are unable to communicate in an effective manner and others have little contact with family or those outside the facility. This leaves these individuals with little advocacy or recourse if they should suffer abuse or neglect. Congress passed detailed legislation to regulate facilities and caregivers in an attempt to guarantee adequate protections were incorporated into the system. In another finding, we addressed the Department’s noncompliance with federal regulations requiring adequate facility surveys. In an attempt to reassure us that residents’ care did not suffer from the reduced survey scope, the Department stated that it maintained a constant surveillance of facilities because of their numerous visits to review complaints. They reported that 25,000 complaints were reported in 2004. We questioned this approach and maintained that guaranteeing compliance with all conditions and standards would reduce the risk of jeopardy to residents and thus reduce reported complaints.

We view the Department's response as an attempt to relieve itself of the responsibility for facility oversight. Conditions of participation outline the requirements of care that facilities must provide; however, it is the Department's responsibility as the administrative agency for Medicaid in the state of Washington to ensure that facilities comply with all conditions and standards. If the Department does not annually certify facilities are in compliance with all standards of care, but then relies on these same facilities to conduct abuse and neglect investigations, it fails in its mission to protect these individuals.

The Department states it is not the primary investigative body for abuse and neglect. Facilities are required, as a condition of participation, to conduct investigations of complaints of abuse, neglect and fraud. However, the Department is required by 42CFR455.14 and 42CFR455.15 to conduct investigations of all complaints of provider abuse and fraud received. One investigation is not a substitute for another. Providers with allegations of perpetuating abuse should not be entrusted to be the sole investigative agency for these allegations.

In another section in this report we found that the Department of Social and Health Services, Health and Rehabilitative Services Administration, is not in compliance with the federal Medicaid requirements for reporting adult victims of residential abuse to the Medicaid Fraud Control Unit. We questioned the Department about the complaint review process, attempting to locate a repository that would include complete information for all allegations received and related documentation assembled during investigation and resolution. We were informed that such a composite record existed; however, when we attempted to locate specific complaints, we often found incomplete records or that records could not be located.

We reaffirm our finding that the Department of Social and Health Services, Aging and Disability Services Administration, does not have controls to ensure that all alleged violations and complaints of abuse and neglect are thoroughly investigated as federal law requires.

### **Applicable Laws and Regulations**

42CFR483.420 pertains to IMC/MR facilities and states in part:

(d) Standard: Staff treatment of clients.

(1) The facility must develop and implement written policies and procedures that prohibit mistreatment, neglect or abuse of the client.

(i) Staff of the facility must not use physical, verbal, sexual or psychological abuse or punishment.

(ii) Staff must not punish a client by withholding food or hydration that contributes to a nutritionally adequate diet.

(iii) The facility must prohibit the employment of individuals with a conviction or prior employment history of child or client abuse, neglect or mistreatment.

(2) The facility must ensure that all allegations of mistreatment, neglect or abuse, as well as injuries of unknown source, are reported immediately to the administrator or to other officials in accordance with State law through established procedures.

(3) The facility must have evidence that all alleged violations are thoroughly investigated and must prevent further potential abuse while the investigation is in progress.

(4) The results of all investigations must be reported to the administrator or designated representative or to other officials in accordance with State law within five working days of the incident and, if the alleged violation is verified, appropriate corrective action must be taken.

42CFR455.2, states in part:

Abuse means provider practices that are inconsistent with sound fiscal, business, or medical practices, and result in an unnecessary cost to the Medicaid program, or in reimbursement for services that are not medically necessary or that fail to meet professionally recognized standards for health care. It also includes recipient practices that result in unnecessary cost to the Medicaid program.

42CFR455.14 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.

42CFR455.15 Full investigation states in part:

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 Sec. 1002.309 of this title; or

(2) In States with no certified Medicaid fraud control unit, or in cases where no referral to the State Medicaid fraud control unit is required under paragraph (a)(1) of this section, conduct a full investigation or refer the case to the appropriate law enforcement agency.

(b) If there is reason to believe that a recipient 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 recipient has abused the Medicaid program, the agency must conduct a full investigation of the abuse.

42CFR455.16 Resolution of full investigation, states in part:

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 recipient. This resolution may include but is not limited to—

(1) Sending a warning letter to the provider or recipient, 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.

42CFR483.420 requires client protections and states:

(a) Standard: Protection of clients' rights. The facility must ensure the rights of all clients. Therefore, the facility must—

- (1) Inform each client, parent (if the client is a minor), or legal guardian, of the client's rights and the rules of the facility;
- (2) Inform each client, parent (if the client is a minor), or legal guardian, of the client's medical condition, developmental and behavioral status, attendant risks of treatment, and of the right to refuse treatment;
- (3) Allow and encourage individual clients to exercise their rights as clients of the facility, and as citizens of the United States, including the right to file complaints, and the right to due process;
- (4) Allow individual clients to manage their financial affairs and teach them to do so to the extent of their capabilities;
- (5) Ensure that clients are not subjected to physical, verbal, sexual or psychological abuse or punishment;
- (6) Ensure that clients are free from unnecessary drugs and physical restraints and are provided active treatment to reduce dependency on drugs and physical restraints;
- (7) Provide each client with the opportunity for personal privacy and ensure privacy during treatment and care of personal needs;
- (8) Ensure that clients are not compelled to perform services for the facility and ensure that clients who do work for the facility are compensated for their efforts at prevailing wages and commensurate with their abilities;
- (9) Ensure clients the opportunity to communicate, associate and meet privately with individuals of their choice, and to send and receive unopened mail;
- (10) Ensure that clients have access to telephones with privacy for incoming and outgoing local and long distance calls except as contraindicated by factors identified within their individual program plans;
- (11) Ensure clients the opportunity to participate in social, religious, and community group activities;
- (12) Ensure that clients have the right to retain and use appropriate personal possessions and clothing, and ensure that each client is dressed in his or her own clothing each day; and
- (13) Permit a husband and wife who both reside in the facility to share a room.

(b) Standard: Client finances.

- (1) The facility must establish and maintain a system that--
  - (i) Assures a full and complete accounting of clients' personal funds entrusted to the facility on behalf of clients; and

(ii) Precludes any commingling of client funds with facility funds or with the funds of any person other than another client.

(2) The client's financial record must be available on request to the client, parents (if the client is a minor) or legal guardian.

(c) Standard: Communication with clients, parents and guardians. The facility must—

(1) Promote participation of parents (if the client is a minor) and legal guardians in the process of providing active treatment to a client unless their participation is unobtainable or inappropriate;

(2) Answer communications from clients' families and friends promptly and appropriately;

(3) Promote visits by individuals with a relationship to the client (such as family, close friends, legal guardians and advocates) at any reasonable hour, without prior notice, consistent with the right of that client's and other clients' privacy, unless the interdisciplinary team determines that the visit would not be appropriate;

(4) Promote visits by parents or guardians to any area of the facility that provides direct client care services to the client, consistent with the right of that client's and other clients' privacy;

(5) Promote frequent and informal leaves from the facility for visits, trips, or vacations; and

(6) Notify promptly the client's parents or guardian of any significant incidents, or changes in the client's condition including, but not limited to, serious illness, accident, death, abuse or unauthorized absence.

(d) Standard: Staff treatment of clients.

(1) The facility must develop and implement written policies and procedures that prohibit mistreatment, neglect or abuse of the client.

(i) Staff of the facility must not use physical, verbal, sexual or psychological abuse or punishment.

(ii) Staff must not punish a client by withholding food or hydration that contributes to a nutritionally adequate diet.

(iii) The facility must prohibit the employment of individuals with a conviction or prior employment history of child or client abuse, neglect or mistreatment.

(2) The facility must ensure that all allegations of mistreatment, neglect or abuse, as well as injuries of unknown source, are reported immediately to the administrator or to other officials in accordance with State law through established procedures.

(3) The facility must have evidence that all alleged violations are thoroughly investigated and must prevent further potential abuse while the investigation is in progress.

(4) The results of all investigations must be reported to the administrator or designated representative or to other officials in accordance with State law within five working days of the incident and, if the alleged violation is verified, appropriate corrective action must be taken.

**05-03      The Department of Social and Health Services, Aging and Disability Services Administration, does not perform certification surveys of Intermediate Care Facilities for the developmentally disabled according to federal law.**

**Background**

Intermediate care facilities for the developmentally disabled were funded by state or local government funds until 1971. In that year, Congress enacted legislation that allowed states to include services to the developmentally disabled as an optional Medicaid benefit. Under the Medicaid program states choosing to provide this optional benefit would be eligible to receive federal matching funds if the provision for such services was included in the Medicaid State Plan and if the state ensured that its providers met federal health and safety requirements. Providers must qualify to render services to Medicaid clients. These qualifications include certification and compliance with a national minimum set of standards created to protect the care and rights of their clients. This set of standards is federally mandated and consist of eight conditions of participation, which detail 400 standards. Certification surveys are required each year to assure that participating facilities are in substantial compliance with these conditions of participation.

**Description of Condition**

During our audit for state fiscal year 2005, we found that the Department does not perform its certification surveys of intermediate care facilities for the developmentally disabled according to federal law. Although surveys are conducted with the appropriate frequency, facilities are inspected according to the guidelines of the State Operations Manual. This manual was developed by the Centers for Medicare and Medicaid Services (CMS) in an effort to make the survey process less resource intensive for providers that consistently demonstrate compliance with the regulations.

The Department reported that survey activities are now focused on the outcome for the individual and not on specific, itemized regulations. We found that the manual does not require all standards and conditions of participation be reviewed. Instead, it allows surveyors to review only four of the eight conditions of participation and only 57 of the 400 standards. Under guidance of the manual, if the facility appears to be in compliance with those requirements, the facility is assumed to be compliant with all the standards and conditions of participation and no further survey activity is performed.

The federal regulation setting forth the outcome-oriented survey process states that this survey process is not to be used for intermediate care facilities for the developmentally disabled. We could find no federal regulation that approves limiting the scope of surveys for intermediate care facilities for the developmentally disabled. Additionally, neither the Department nor CMS could give us any evidence that would allow the state to deviate from the survey protocol cited in the Code of Federal Regulations.

During our audit, we reviewed records for 14 out of 14 facilities. We found that no intermediate care facility for the developmentally disabled was surveyed according to federal regulation for state fiscal year 2005. Furthermore, the Department could not tell us the last time any of these facilities received a full survey, or was surveyed according to requirements set forth in federal law as it pertains to content of survey.

**Cause of Condition**

The Department reported it is conducting surveys according to protocol established by CMS as outlined in the State Operation Manual Appendix J.

**Effect of Condition**

The state is making significant payments to intermediate care facilities for the developmentally disabled, for services to Medicaid clients, with no reasonable assurance that the services provided are meeting federal health and safety standards. This could expose vulnerable adults to exploitation, abuse and neglect. Payments to these facilities during 2004 were at least \$129,814,871 of which, \$65,434,803 was paid with federal funds and the remainder with state funds.

## Recommendation

We recommend:

- CMS provide states with instructions that are consistent with federal Medicaid laws regarding surveys of intermediate care facilities for the developmentally disabled that receive Medicaid funds.
- The Department of Social and Health Services conducts certification surveys to include all eight conditions of participation and 400 standards, as required by federal law.

## Department's Response

*The Department agrees that CMS should provide consistent instructions for Intermediate Care Facilities for the Mentally Retarded (ICF/MR) surveys in accordance with federal law. The Department disagrees that CMS does not do so.*

*As authorized by 42 USC §1302, the Secretary of the federal Department of Health and Human Services has adopted regulations consistent with the requirements of the Social Security Act. Under these rules:*

- *ICF/MR providers must meet all of the certification requirements of 42 CFR 483, Subpart I; and*
- *State agencies must conduct certification surveys in accordance with 42 CFR 488.26(c), including subsection (5)(d), which states, "the state survey agency must use the survey methods, procedures and forms that are prescribed by CMS."*

*During an initial certification survey the Department reviews all of the eight Medicaid conditions of participation, including the associated four hundred eighty-nine standards. During the audit period there were no initial certification surveys because no applications for ICF/MR certification were submitted.*

*For a recertification survey, CMS has adopted specific procedures, Appendix J: "Survey Protocol & Guidelines" of the Centers for Medicare & Medicaid Services' (CMS) State Operations Manual (SOM); Transmittal No. 278 "Survey Procedures for Intermediate Care Facilities For Persons with Mental Retardation"; PART I, III. "Survey Process," (pages J-3 through J-5), which require state agencies to review four conditions of participation and the associated fifty-seven standards. The procedures also give the Department the authority to expand the scope of the survey at any time, based upon survey findings or upon information from other sources. The Department investigates and will continue to investigate all potential regulatory violations. CMS oversees the Department to ensure that the required processes are being followed. At least twice a year, staffs from the federal Regional Office (RO) meet formally with the State Agency (SA) (several informal discussions occur over the course of the year). The intent of these meetings is to update the SA on the survey process and provide verbal feedback based upon look-behind surveys (the last time the RO provided written feedback was August 9, 2000). The RO consistently informs the SA it is meeting federal expectations. Last year, a federal Qualified Mental Retardation Professional from the Denver RO accompanied them. He also emphasized the SA should continue to follow the procedures it has in place. CMS has not identified any performance issues.*

## Auditor's Concluding Remarks

The Department is correct in stating that federal regulations (42CFR483, Subpart I) identifies federal requirements the provider must meet to comply with federal law. This regulation contains eight conditions of participation comprising over 400 standards. It is the Department's responsibility, as the designated Medicaid agency, to survey each institution at least annually (42CFR456.606) to ensure compliance with all conditions and standards.

Regarding federal regulations on surveys (42CFR483, Subpart I), the conditions of participation apply beyond initial certification. Regulations (42CFR.442.109) also state that a survey agency may certify an intermediate care facility for the developmentally disabled for only 12 months and a Medicaid agency may not enter into a provider agreement or make Medicaid payments to this type of facility unless the facility has been certified (42CFR442.12). A facility cannot be certified if it is not in compliance with all eight conditions of participation.

The Department also cites federal regulation 42CFR488.26 as the source of federally mandated procedures the state agency must follow regarding the survey process. We believe that directions contained in regulation 42CFR488.110 show the regulation cited by the Department do not apply to the facilities in question:

42CFR488.26(c)(2) describes the new survey process:

The survey process uses resident outcomes as the primary means to establish the compliance status of facilities. Specifically surveyors will directly observe the actual provision of care and services to residents, and the effects of that care, to assess whether the care provided meets the needs of individual residents.

42CFR488.110(a) General defines the applicability of this new survey process:

Use this survey process for all surveys of SNFs and ICFs-whether free-standing, distinct parts, or dually certified. **Do not use this process for surveys of Intermediate Care Facilities for the Mentally Retarded (ICFs/MR)**, (emphasis added) swing bed hospitals or skilled nursing sections of hospitals that are not separately certified as SNF distinct parts.

The Department further states it has adopted procedures put in place by CMS specifically for the recertification survey. The Department states these procedures require it to survey to reduced standards. However, during our audit, we asked for clarification as to the guidance that the State Auditor's Office should be auditing to, federal law as cited in the Code of Federal Regulations (CFR) or CMS's directives to the states. The Office of the Inspector General indicated that the CFR should be used for guidance even if CMS gives directives to the states that are contrary to it. The Inspector General also stated if the state is not following the law, the State Auditor's Office is obligated to report it as non-compliance and to question all related costs. We have reported these costs to be at risk for noncompliance.

We reaffirm our finding that the Department does not perform certification surveys of intermediate care facilities for the developmentally disabled according to federal law.

### **Applicable Laws and Regulations**

Washington State Medicaid Plan 4.13, states:

. . . for all providers, the requirements of 42CFR431.107 and 42CFR442 Subparts A and B (if applicable) are met.

42CFR488.110 relates to the outcome-oriented survey process and states in part:

. . . Do not use this process for surveys of Intermediate Care Facilities for the Mentally Retarded (ICF/MRs) . . . .

42CFR442 Subpart B Provider Agreements, 42CFR442.12(a), states:

A Medicaid agency may not execute a provider agreement with a facility for nursing facility services nor make Medicaid payments to a facility for those services unless the Secretary or the State survey agency has certified the facility under this part to provide those services.

(c)An agreement must be in accordance with the certification provisions set by the Secretary or the survey agency under subpart C of this part for ICF/MRs.

42CFR442 Subpart C, 42CFR442.100, states:

A State plan must provide that the requirements of this subpart and part 483 are met.

42CFR442.101, states:

- (a) This section states the requirements for obtaining notice of an ICF/MR's certification before a Medicaid agency executes a provider agreement under Sec. 442.12.
- (b) The agency must obtain notice of certification from the Secretary for an ICF/MR located on an Indian Reservation.
- (c) The agency must obtain notice of certification from the survey agency for all other ICF/MR.
- (d) The notice must indicate that one of the following provisions pertains to the ICF/MR:
  - (1) An ICF/MR meets the conditions of participation set forth in subpart I of part 483 of this chapter.
  - (2) The ICF/MR has been granted a waiver or variance by CMS or the survey agency under subpart I of part 483 of this chapter.
  - (3) An ICF/MR has been certified with standard-level deficiencies and
    - (i) All conditions of participation are found met; and
    - (ii) The facility submits an acceptable plan of correction covering the remaining deficiencies, subject to other limitations specified in Sec.442.105.

42CFR483, Subpart I, Conditions of Participation for Intermediate Care Facilities for the Mentally Retarded, 42CFR483.400 Basis and purpose, states:

This subpart implements section 1905 (c) and (d) of the Act which gives the Secretary authority to prescribe regulations for intermediate care facility services in facilities for the mentally retarded or persons with related conditions.

- Sec. 483.405 relationship to other HHS regulations
- Sec. 483.410 Condition of participation: Governing body and management
- Sec. 483.420 Condition of participation: Client protection
- Sec. 483.430 Condition of participation: Facility Staffing
- Sec. 483.440 Condition of participation: Active treatment services
- Sec.483.450 Condition of participation: Client behavior and facility practices
- Sec. 483.460 Condition of participation: Health care services
- Sec. 483.470 Condition of participation: Physical Environment
- Sec. 483.480 Condition of participation: Dietetic Services

**05-04 The Department of Social and Health Services, Aging and Disability Services Administration does not have a process to impose sanctions, recover funds, schedule or hold hearings for Intermediate Care Facilities for the Developmentally Disabled that are not in substantial compliance with federal health and safety standards.**

**Background**

Under the Medicaid program, states may receive federal funds for medical services for Medicaid clients receiving treatment in Intermediate Care Facilities for the Developmentally Disabled.

Facilities must meet specific health and safety standards that are set forth in federal regulations. The Department's Aging and Disability Services Administration has the primary responsibility for conducting health and safety inspections at these facilities to ensure compliance with federal regulations. If a facility does not substantially comply with these health and safety standards, it may result in the Department issuing sanctions that could include denial, termination or non-renewal of its provider agreement or issuance of a denial-of-payment notice to the facility. The denial-of-payment notice prohibits payment of federal funds for any new Medicaid admissions to the facility until the condition is corrected.

Federal regulations require the state to have an appeals procedure for a facility wishing to challenge the state's finding of noncompliance. The procedure must satisfy certain minimum requirements, be approved by the federal government and be included in the Medicaid State Plan.

While the appeal process will not halt the termination proceedings, a denial of payment will not be put in place until the appeal has been resolved, unless the appeals process is longer than 120 days. Beyond this time, federal law requires that Medicaid funds be stopped. Thus, the date payment to the facility actually stops is dependent on timing of the appeals process. If the appeals process takes 120 days, payment will not stop during that time.

**Description of Condition**

During our audit for fiscal year 2005, we found the Department has no process or procedures for:

- Instituting a denial of payment and recovering funds that were paid for new Medicaid admissions to a facility that is not in substantial compliance with federal health and safety requirements. We found one facility continued to receive payment for clients during a denial-of-payment period. Costs associated with this totaled \$25,392.
- Scheduling and holding appeal hearings for providers that requested such hearings. Staff stated that no hearings had been scheduled or held in the past when requested. Staff reported that they were unsure who would handle or adjudicate the hearing if one was scheduled. We found evidence that one hearing was requested by a provider in 2004. However, we could find no evidence that a hearing was conducted.

**Cause of Condition**

The Department has stated that implementing the denial-of-payment sanction would be difficult to accomplish and not cost-effective.

**Effect of Condition**

While the Department offers the provider an opportunity for a hearing, we found no evidence that providers can obtain a hearing from the Department to appeal findings of noncompliance. This is contrary to federal regulations.

Additionally, we found no evidence that the Department has any clear procedures to impose federally required sanctions on providers that are not in compliance with federal health and safety standards. This exposes vulnerable adults to substandard care, abuse and neglect. Such noncompliance can jeopardize future federal funding.

## **Recommendation**

We recommend the Department:

- Establish procedures to schedule and hold appeals hearings.
- Establish a process for instituting denial-of-payment sanctions.
- Establish procedures to recoup funds paid to a facility in denial-of-payment status.

## **Department's Response**

*The Department agrees that there should be processes for imposing the Denial of Payment for New Admissions penalty, for scheduling and holding related hearings, and for recouping funds, but the Department disagrees with the audit findings. The Department does have processes that comply with federal law.*

*The Department is willing to clarify its processes by developing written procedures regarding timeframes for instituting the denial of payment sanction, scheduling and holding related hearings, and recouping funds, by June 30, 2006.*

*The report reflects a misunderstanding related to the lack of informal hearings during the audit period. The Department did not hold any informal hearings related to denial of payment penalty during the audit period because facilities corrected violations before a hearing was needed. However, such a hearing has been held in the past. No denial of payment for new admissions penalties took effect during the audit period because facilities were able to achieve compliance before the effective date.*

*For state fiscal year 2005, one denial of payment penalty was issued (July 20, 2004) and resolved before a hearing occurred. For federal fiscal year 2005, one denial of payment penalty was issued (September 23, 2005) and resolved before a hearing occurred.*

## **Auditor's Concluding Remarks**

During our audit, the Department did not provide written policies and procedures that address imposition of sanctions, recoupment of funds or scheduling and holding hearings. Additionally, staff did not know who would be responsible for imposing sanctions, recovering funds or scheduling hearings.

The State Auditor's Office agrees the Department did not hold any informal or formal appeal hearings during the audit period. However, this does not negate the requirement that policies and procedures should be in place to regulate this process. The Department operates under the assumption that conditions will be corrected by facilities before the timeline for imposing sanctions and holding appeals hearings runs out and, thus, has not developed appropriate policies and procedures.

We reaffirm our finding that the Department of Social and Health Services, Aging and Disability Services Administration, does not have a process to impose sanctions, recover funds, schedule or hold hearings for Intermediate Care Facilities for the Developmentally Disabled that are not in substantial compliance with federal health and safety standards.

## **Applicable Laws and Regulations**

42CFR442.101, states in part:

(1) An ICF/MR meets the conditions of participation set forth in subpart I of part 483 of this chapter . . .

(e)The failure to meet one or more of the applicable conditions of participation is cause for termination or non-renewal of the ICF/MR provider agreement.

42CFR442.117, states:

- (a) A survey agency must terminate a facility's certification if it determines that—
  - (1) The facility no longer meets conditions of participation for ICFs/MR as specified in subpart I of part 483 of this chapter.
  - (2) The facility's deficiencies pose immediate jeopardy to residents' health and safety.
- (b) Subsequent to a certification of a facility's noncompliance, the Medicaid agency must, in terminating the provider agreement, follow the appeals process specified in part 431, subpart D of this chapter.

42CFR442.118, states:

- (a) Basis for denial of payments. The Medicaid agency may deny payment for new admissions to an ICF/MR that no longer meets the applicable conditions of participation specified under subpart I of part 483 of this chapter.
- (b) Agency procedures. Before denying payments for new admissions, the Medicaid agency must comply with the following requirements:
  - (1) Provide the facility up to 60 days to correct the cited deficiencies and comply with conditions of participation for ICFs/MR.
  - (2) If at the end of the specified period the facility has not achieved compliance, give the facility notice of intent to deny payment for new admissions, and opportunity for an informal hearing.
  - (3) If the facility requests a hearing, provide an informal hearing that includes—
    - (i) The opportunity for the facility to present, before a State Medicaid official who was not involved in making the initial determination, evidence or documentation, in writing or in person, to refute the decision that the facility is out of compliance with the conditions of participation for ICFs/MR.
    - (ii) A written decision setting forth the factual and legal bases pertinent to a resolution of the dispute.
  - (4) If the decision of the informal hearing is to deny payments for new admissions, provide the facility and the public, at least 15 days before the effective date of the sanction, with a notice that includes the effective date and the reasons for the denial of payments.

42CFR431.151, states:

- a) General rules. This subpart sets forth the appeals procedures that a State must make available as follows:
  - (1) To a nursing facility (NF) that is dissatisfied with a State's finding of noncompliance that has resulted in one of the following adverse actions:
    - (i) Denial or termination of its provider agreement.
    - (ii) Imposition of a civil money penalty or other alternative remedy.

(2) To an intermediate care facility for the mentally retarded (ICF/MR) that is dissatisfied with a State's finding of noncompliance that has resulted in the denial, termination, or nonrenewal of its provider agreement.

(3) To an NF or ICF/MR that is dissatisfied with a determination as to the effective date of its provider agreement.

(b) Special rules. This subpart also sets forth the special rules that apply in particular circumstances, the limitations on the grounds for appeal, and the scope of review during a hearing.

**05-05      The Department of Health is not conducting hospital surveys according to the frequency stipulated by state law and the Medicaid State Plan.**

**Background**

Hospitals statewide received more than \$583 million in state and federal Medicaid funds in calendar year 2004 for services provided to Medicaid clients. To be eligible for federal reimbursement, federal regulations require states to ensure health-care facilities meet prescribed health and safety standards. The Department of Social and Health Services, Medical Assistance Administration, relies on the Department of Health to perform these surveys.

In the past, state law required the Department of Health to complete these surveys annually. To avoid duplication, the law allowed some exceptions when other professional organizations had performed recent, comparable surveys and reported the results to the Department. Hospitals receiving such surveys had to request exclusion from the state surveys.

In our fiscal year 2003 State Accountability Report, we reported that the Department of Health was not performing annual hospital surveys. Of 109 participating hospitals, only 61 (56 percent) had received the required survey by the Department or another qualifying professional organization.

We followed up in this area during the 2004 audit. We found the Department of Health had submitted legislation for the 2005 Legislative session to extend the inspection timeframe to 18 months. In addition, this proposal required a hospital to inform the Department if a survey was performed by another qualifying professional organization.

However, during fiscal year 2004, the Department of Health did not perform annual hospital surveys as required by current state law. Of the state's 102 current hospitals, we found only 50 (49 percent) were evaluated by the Department or by one of the other qualifying professional organizations during calendar year 2003. The remaining 52 hospitals were not surveyed at all during this time.

At that time, the Administration also had drafted an amendment to the Medicaid State Plan that conformed to the state's current survey activity, increasing the required time period between surveys to a longer but indefinite amount of time. However, the Administration had not provided us with confirmation that the amendment had been submitted to or approved by the federal grantor.

**Description of Condition**

During our current audit we found that proposed changes to the survey frequency had been approved. An amendment to the State Plan was approved by the Center for Medicare and Medicaid Services (CMS), changing the frequency of required surveys to at least once every 18 months. This amendment also granted outside agents who had authority from CMS to perform the state's required hospital surveys. Both were passed into law after our audit period had ended.

Prior to our testing, we knew the state would not be in compliance with the 12-month frequency requirement as the Health Department had stated it would not attempt to meet the standard. The Department stated it was certain the state law and the State Plan would be changed. Since the State Auditor's Office has an obligation to audit to laws in place during the audit period, we audited to the 12-month standard. However, we also wanted to determine if the Department had made improvements to its systems that would bring it into compliance with the new law.

We found that the frequency of hospital surveys failed to meet either frequency standard. For the 95 participating Medicaid hospitals we found:

- 93 facilities (98 percent) were not surveyed according to the annual frequency required by the law in place for the audit period.
- 73 facilities (77 percent) were not surveyed according to the 18-month frequency standard as set out in the new law and applicable to the next audit period.

For the hospitals that were not surveyed according to either standard and were considered exceptions, we performed additional testing and found:

<b>Survey Frequency</b>	<b>Survey Standard</b>	
	<b>12 Month</b>	<b>18 Month</b>
Range of months elapsing from one survey to the next	13 - 49 months	19 - 49 months
Average survey frequency	24 months	26 months
Survey frequency rate occurring most often	21 months	21 months

**Cause of Condition**

The Department of Health states it lacks the resources to ensure survey frequency standards are met.

**Effect of Condition**

The state is making significant payments to hospitals for services to Medicaid clients with little assurance that the Department of Health will conduct timely surveys that evaluate whether hospitals are meeting state health standards and regulatory requirements. The costs associated with the hospitals that were not surveyed were included elsewhere in this report.

**Recommendation**

We recommend the Department of Health establish and follow controls to ensure compliance with state law and the Medicaid State Plan regarding the frequency of hospital inspections.

**Department's Response**

*We concur with the finding by the State Auditor's office.*

*The scope of the current SAO audit covered the survey cycle for fiscal years 2004 and 2005. During this time the state law RCW 70.41 required DOH to conduct inspection surveys of all hospitals at least yearly. Furthermore, the law allowed for a hospital surveyed by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) within the previous 12 months to be exempt from annual state survey if the department received the results of the JCAHO survey.*

*At the time of the audit review, DOH acknowledged that it was not accomplishing the annual surveys due to lack of adequate numbers of staff and that a change to the law was being proposed to address this. The 2005 Legislature changed the law to "inspection of hospitals on average at least every 18 months, in addition the Legislature modified the requirement for the JCAHO survey to allow those surveys to be deemed as meeting the 18 month survey requirement. These law changes became effective July 24, 2005 and as of December 31, 2005 all hospitals are now being surveyed according to the 18 month average.*

**Auditor's Concluding Remarks**

We appreciate the steps the Department is taking to resolve this issue. We will review the condition during our next audit.

**Applicable Laws and Regulations**

In describing the authority of the Medicaid State Plan, Title 42 of the Code of Federal Regulations, Section 430.10, states:

The State plan is a comprehensive written statement submitted by the agency describing the nature and scope of its Medicaid program and giving assurance that it will be administered in conformity

with the specific requirements of title XIX, the regulations in this Chapter IV, and other applicable official issuances of the Department. The State plan contains all information necessary for CMS to determine whether the plan can be approved to serve as a basis for Federal financial participation (FFP) in the State program.

The Department of Social and Health Services acknowledges the authority of the State Plan and announces its commitment to abide by it in section 1.1 of the State Plan:

As a condition for receipt of Federal funds under title XIX of the Social Security Act, the Department of Social and Health Services submits the following State plan for the medical assistance program, and hereby agrees to administer the program in accordance with the provisions of this State plan, the requirements of titles XI and XIX of the Act, and all applicable Federal regulations and other official issuances of the Department.

The State of Washington's Medicaid State Plan, page 42, states:

4.11 Relations with Standard-setting and Survey Agencies

(a) The State agencies utilized by the Secretary to determine qualifications of institutions and suppliers of services to participate in Medicare is responsible for establishing and maintaining health standards for private or public institutions . . . that provide services to Medicaid recipients. These agencies are: the Department of Social and Health Services and the Department of Health.

(b) The State authority(ies) responsible for establishing and maintaining standards, other than those relating to health, for public and private institutions that provide services to Medicaid recipients are: the Legislature, State Board of Health, State Fire Marshall, the Department of Social and Health Services, and the Department of Health.

(c) Attachment 4.11-A describes the standards specified in paragraphs (a) and (b) above, that are on file and made available to the Center for Medicare and Medicaid Services on request.

Attachment 4.11-A, states in part:

The standards specified in paragraphs (a) and (b) on Page 42 of the Plan are as follows:

A. General Hospitals Revised Code of Washington Chapter 70.41 . . .

Surveys are conducted in accordance with the Interagency Agreement between the Department of Social and Health Services (SHS) and the Department of Health (DOH).

At the request of and funded by Medicare as specified in the Annual Budget Call Letter, DOH's Facilities and Services Licensing Division conducts surveys of facilities participating in Washington State's Medicaid and Medicare programs. The surveys satisfy Medicare requirements as to survey frequency, content, scope, and documentation, and meet the standards and conditions of participation for contracted hospitals in both Medicare and Medicaid programs established by 42 CFE 482.

The Facilities and Services Licensing Division conducts Medicare and Medicaid qualifying surveys on a schedule that meets criteria established by the Centers for Medicare and Medicaid Services (CMS).

Other agents having deemed status from CMS for performing Medicare hospital surveys, such as the Joint Commission on Accreditation of Healthcare Organizations (JAHO) are deemed agents for Medicare surveys.

RCW 70.41.120, prior to HB 1533 and which applies to the current audit period, states in part:

The department (DOH) shall make or cause to be made at least yearly an inspection of all hospitals . . . To avoid unnecessary duplication in inspections, the department shall coordinate with the department of social and health services when inspecting facilities over which both agencies have jurisdiction, the facilities including but not necessarily being limited to hospitals with both acute care and skilled nursing or psychiatric nursing functions.

RCW 70.41.120, after the passing of HB1533 and effective July 24, 2005, after the current audit period, states in part:

The department shall make or cause to be made an inspection of all hospitals on average at least every eighteen months . . .The department may make an examination of all phases of the hospital operation necessary to determine compliance with the law and the standards, rules and regulations . . . .

WAC 246-320-025, states in part:

The purpose of this section is to provide annual on-site survey requirements in accordance with chapter 70.41 RCW.

(1) The department will:

(a) Conduct at least one on-site licensing survey each calendar year to determine compliance with the provisions in chapter 70.41 RCW and this chapter . . . .

RCW 70.41.122, states in part:

Surveys conducted by the Joint Commission on the Accreditation of Health Care Organizations (JCAHO) or the American Osteopathic Association (AOA) on hospitals accredited by those bodies shall be deemed equivalent to a department survey for purposes of meeting the requirements for the survey specified in RCW 41.70.120 if the department determines that the applicable survey standards of the JCAHO or the AOA are substantially equivalent to its own.

**05-06 The Department of Health and the Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), are not ensuring compliance with federal law regarding hospital surveys.**

**Background**

Hospitals statewide received more than \$583 million in state and federal Medicaid funds in calendar year 2004 for services provided to Medicaid clients. Federal regulations require states to ensure health-care facilities meet prescribed health and safety standards in order to be eligible for federal reimbursement. The Department of Social and Health Services, Health and Recovery Services Administration, relies on the Department of Health to perform these surveys.

The federal government has developed Conditions of Participation that hospitals must meet in order to participate in the Medicaid program. These minimum health and safety standards are designed to protect the health and safety of patients. In order to be eligible for federal matching funds for reimbursements to Medicaid clients' providers, the Department must ensure these standards are met. Federal regulations state compliance with the Conditions of Participation must be ensured and that the Medicaid agency must designate the forms, methods and procedures to be used by the surveying agency when determining compliance. Additionally, the survey agency must retain documentation and note whether each requirement for which inspection was made had been satisfied.

Conditions of Participation for hospitals are made up of 29 areas related to all aspects of patient care. These include patients' rights, staffing and infection control, as well as requirements for each type of service that the hospital offers such as surgical services and emergency services.

In our fiscal year 2003 audit we reported to the Departments' management that:

- The Department of Social and Health Services did not have the federally required written agreement with the Department of Health regarding survey activities.
- The Department of Health did not comply with federal regulations regarding survey documentation.

During our fiscal year 2004 audit, we reported that although a Memorandum of Understanding for survey activities was signed by the agencies, the Administration (then known as Medical Assistance Administration) did not have a written agreement with the Department of Health for survey activities that met all federal requirements. For example, it did not specify the forms, methods and procedures that surveyors should use.

**Description of Condition**

During our current audit, we attempted to determine whether progress had been made in correcting the conditions found in previous audits. We found the Department still had not specified survey methods and procedures to be used by the Health Department.

We also found the Health Department could not provide documentation that its employees had conducted the surveys according to federal regulations. Specifically,

- Although required to do so by federal regulation, the Department of Social and Health Services has not provided the Health Department with the methods and procedures it is to use when conducting the surveys. The Health Department does not provide surveyors with instructions on what must be surveyed.
- For hospitals that had been reported to have passed inspections, the only documentation available was a statement that no deficiencies had been found. Federal regulations require that reports note whether each requirement for which inspection is made is satisfied. However, no specifics on what was reviewed were available because the Health Department does not require surveyors to prepare or submit detailed information on what is reviewed.

- For hospitals where deficiencies are noted, surveyors are required to document what the deficiencies are; however, the Department does not require the surveyor to report what areas were examined and what areas were not reviewed for compliance.
- Federal regulations require that the Department of Health, as the surveying agency, keep on file all information and reports relating to whether facilities meet requirements. The Health Department cannot monitor the work performed by surveyors to ensure that surveys are done. This is because surveyors are not required to retain their work papers or provide them to the Department.

Other than a date that the survey was reported to have been conducted and a statement of deficiency or no deficiency, no other documentation was available for our review. Thus, we could not independently review of what the survey consisted or whether it conformed to federal regulations.

### **Cause of Condition**

The Health Department reported it conducts surveys according to Medicare certification guidelines. It states that in fulfilling its responsibility for Medicare certification surveys, it is simultaneously fulfilling its responsibility for Medicaid certification.

The Centers for Medicare and Medicaid Services (CMS) reported the work required by the Medicare contract that it has with the Health Department is not as rigorous as that required for Medicaid surveys. CMS conceded the State Auditor's Office has found inconsistencies between federal law and the instructions CMS has given to states in terms of survey practices. However, reporting only on exceptions is the current practice and the method of reporting approved by the State Operations Manual for Medicare. CMS reported that it considers this manual to be applicable for Medicaid as well.

### **Effect of Condition**

The state is paying hospitals for services to Medicaid clients with little assurance the services provided are meeting state health standards and regulatory requirements. This is because the Department of Health does not provide standard instructions to surveyors and does not require them to submit reports or retain work papers on what was done in the surveys. Payments to the hospitals for the period January 1, 2004 through December 31, 2004, were at least \$583,094,104. Of this, \$291,547,052 was paid with federal funds and the remainder with state funds.

Survey activities that are not performed according to federal requirements leave Medicaid clients vulnerable to substandard care. The Joint Commission on Accreditation of Health Care Organizations (JCAHO) has reported that unexpected occurrences in the nation's health-care facilities, ranging from medication errors to serious injury or death, have increased by three and a half times since 1995. It also reported that approximately 68 percent of these events occur in hospitals. Self-reporting is a primary source of information (66 percent) and survey activity accounts for only 8 percent of the known occurrences. Washington has the fifth highest number of reviewed occurrences in the nation for such events according to the JCAHO report. However, when so little is known about surveys conducted of Washington hospitals, we do not know if Washington's rating is a matter of better self-reporting or poorer conditions in its hospitals.

### **Recommendation**

We recommend:

- CMS provide states with instructions that are consistent with federal Medicaid laws regarding surveys of hospitals receiving Medicaid funds.
- The Department of Social and Health Services designate the forms, methods and procedures that must be used by the Health Department when determining hospital providers' compliance with the federal Conditions of Participation.

- The Department of Health follow procedures provided by the Department of Social and Health Services to ensure hospitals comply with the Conditions of Participation.
- The Department of Health monitor surveys to ensure federal requirements for monitoring Conditions of Participation are performed.
- The Department of Social and Health Services monitor the Department of Health's compliance with survey procedures.
- The Department of Social and Health Services work with the U.S. Department of Health and Human Services to determine if any costs charged to Medicaid federal funds must be reimbursed as a result of the state's noncompliance.

### **Departments' Response**

*This is a joint response on behalf of the Department of Health (DOH) and the Department of Social and Health Services (DSHS).*

*We concur with the finding to only the extent that hospital survey documents should positively assert that all Conditions of Participation have been met through the certification survey process.*

*Otherwise, to the best of our understanding we are meeting the requirement for surveys as approved by the Centers for Medicare & Medicaid Services (CMS) State Operations Manual.*

*Overall policy making responsibility is centralized in CMS where oversight of the State Medicaid program is coordinated. CMS alone is responsible for establishing operational policy for the certification process and conveying operational instructions to State Agencies.*

*The finding states that CMS has admitted that their requirements are not as rigorous as those required by Federal law, but does not reference the source of this comment within the CMS organization. To date, we have not received any directive from CMS to alter our current survey practices.*

*We concur with the second and third recommendations provided in the finding only in that survey reports should include a positive assertion that all Conditions of Participation have been reviewed during the survey. This change has been included in the current Memorandum of Understanding between DSHS and DOH. Otherwise, both DOH and DSHS are following the current method of reporting approved by the State Operations Manual provided by CMS. The State Operations Manual specifies forms and procedures that must be followed when determining hospital provider's compliance with the federal Conditions of Participation.*

*Also included in the list of applicable laws and regulations is a reference to Yellow Book Section 4.03. The Yellow Book, or Generally Accepted Government Auditing Standards (GAGAS), should not be applied to state agency hospital surveys. By virtue of the state agency's adjudicative and regulatory oversight function, it can not adhere to the stringent requirements for organizational independence called for in the standards.*

*We agree that the hospital surveys should clearly state that all Conditions of Participation have been reviewed, but we do not agree that we need to exceed the current standard of exception reporting or documentation as directed by the CMS State Operations Manual.*

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

Federal regulation requires an agreement between the agencies to define the survey process undertaken by the survey agency. It also requires surveyors to complete inspection reports including notations on the report that each requirement inspected during the survey has been satisfied.

Audit standards do not allow us to accept the Department's statement that the Center for Medicare and Medicaid Services may set policy that conflict with federal regulations.

Medicaid was enacted by Congress in 1965 as an amendment to the Social Security Act with the passage of Title XIX. Originally the Social Security Board was responsible for administration of the Social Security Act. Through time, the administrative agencies have changed this responsibility, which currently resides with the U.S. Department of Health and Human Services (HHS). Within HHS, the Center for Medicare and Medicaid Services has responsibility for administering the Medicaid program. Medicaid policy remains the responsibility of Congress.

Our audits are required to ensure that federal program expenditures comply with federal program requirements. To accomplish this, we refer to a hierarchy of authoritative sources. This hierarchy includes:

- Compilation of Social Security Laws containing the full text of the Social Security Act of 1935 as amended in the United States Code.
- Regulations issued by executive branch agencies located in the Code of Federal Regulations (CFR). Proposed and recently adopted regulations are found in the Federal Register. Federal regulations for Medicaid programs are located in Title 42 of the CFR.

During the course of this audit, we discovered conflicting information was provided to states by CMS and specific regulations codified in the CFR. We sought advice from the U.S. Department of Health and Human Services, Office of the Inspector General. The Inspector General is directly responsible for meeting the statutory mission of promoting economy, efficiency and effectiveness in the administration of Social Security Administration programs and operations and to prevent and detect mismanagement in such programs and operations. The Inspector General directs, conducts and supervises a comprehensive program of audits, evaluations and investigations relating to programs and operations of the Social Security Administration. Thus, the Inspector General is the division of HHS that we turn to when seeking greater clarity for strongly controverted issues.

We contacted the Inspector General with our concerns that we did not find sufficient documentation to independently substantiate the state's representation that it is performing surveys, which would ensure that hospital providers are eligible to be Medicaid providers. They responded that an auditor needs such documentation to make an opinion. If there is no documentation, one cannot make an opinion, it becomes reportable, and costs become questionable. They also stated that the federal regulation is our guidance, that CMS cannot direct a state to deviate from the law.

The Yellow Book, Section 4.03c, quoted one of the Generally Accepted Government Auditing Standards for field work that we are required to follow:

Sufficient, competent and relevant evidence is to be obtained to provide a reasonable basis for the auditors' findings and conclusions.

We quote this citation as an applicable law because, when there is no documentation to audit, we have no evidence to provide a reasonable basis for our opinion. If we opined solely on the Department's representation without any documentation to support our opinion, we would not be fulfilling this standard.

We reaffirm our finding that the Department of Health and the Department of Social and Health Services, Health and Recovery Services Administration, is not ensuring compliance with federal law regarding hospital surveys.

### **Applicable Laws and Regulations**

The Yellow Book, Section 4.03c, states as one of the field work standards:

Sufficient, competent and relevant evidence is to be obtained to provide a reasonable basis for the auditors' findings and conclusions.

42CFR431.610(f), states in part:

Written agreement required. The plan must provide for a written agreement between the Medicaid agency and the survey agency . . . covering the activities of the survey agency in carrying out its responsibilities. The agreement must specify that:

- (1) Federal requirements and the forms, methods and procedures that the Administrator designates will be used to determine provider eligibility and certification under Medicaid;
- (2) Inspectors surveying the premises of a provider will
  - (i) Complete inspection reports;
  - (ii) Note on completed reports whether or not each requirement for which an inspection is made is satisfied;
  - (iii) Document deficiencies in reports
- (3) The survey agency will keep on file all information and reports used in determining whether participating facilities meet Federal requirements;
- (4) The survey agency will make the information and reports required under paragraph (f) (3) of this section readily accessible to HHS and the Medicaid agency as necessary
  - (i) For meeting other requirements under the plan;
  - (ii) for purposes consistent with the Medicaid agency's effective administration of the program.

In describing the authority of the Medicaid State Plan, Title 42 of the Code of Federal Regulations, Section 430.10, states:

The State plan is a comprehensive written statement submitted by the agency describing the nature and scope of its Medicaid program and giving assurance that it will be administered in conformity with the specific requirements of title XIX, the regulations in this Chapter IV, and other applicable official issuances of the Department. The State plan contains all information necessary for CMS to determine whether the plan can be approved to serve as a basis for Federal financial participation (FFP) in the State program.

The Department of Social and Health Services acknowledges the authority of the Medicaid State Plan and announces its commitment to abide by it in section 1.1 of the State Plan, which states:

As a condition for receipt of Federal funds under title XIX of the Social Security Act, the Department of Social and Health Services submits the following State plan for the medical assistance program, and hereby agrees to administer the program in accordance with the provisions of this State plan, the requirements of titles XI and XIX of the Act, and all applicable Federal regulations and other official issuances of the Department.

42CFR, Part 482.1 - Conditions of Participation, states in part:

. . . (5) Section 1905(a) of the Act provides that "medical assistance" (Medicaid) payments may be applied to various hospital services. Regulations interpreting those provisions specify that hospitals receiving payment under Medicaid must meet the requirements for participation in Medicare . . .

(b) . . . the provisions of this part serve as the basis of survey activities for the purpose of determining whether a hospital qualifies for a provider agreement under Medicare and Medicaid . . .

The state of Washington's Medicaid State Plan, 4.11 Relations with Standard-setting and Survey Agencies, page 42, states:

(a) The State agencies utilized by the Secretary to determine qualifications of institutions and suppliers of services to participate in Medicare is responsible for establishing and maintaining health standards for private or public institutions . . . that provide services to Medicaid recipients. These agencies are: the Department of Social and Health Services and the Department of Health.

(b) The State authority (ies) responsible for establishing and maintaining standards, other than those relating to health, for public and private institutions that provide services to Medicaid recipients are: the Legislature, State Board of Health, State Fire Marshall, the Department of Social and Health Services, and the Department of Health.

(c) Attachment 4.11-A describes the standards specified in paragraphs (a) and (b) above, that are on file and made available to the Center for Medicare and Medicaid Services on request.

The state of Washington's Medicaid State Plan, Attachment 4.11-A, states:

The standards specified in paragraphs (a) and (b) on Page 42 of the Plan are as follows:

A. General Hospitals, Revised Code of Washington Chapter 70.41 . . .

Regarding the Department of Health, RCW 70.41.120, states in part:

The department shall make or cause to be made at least yearly an inspection of all hospitals . . . The department may make an examination of all phases of the hospital operation necessary to determine compliance with the law and the standards, rules and regulations . . .

RCW 70.41.122 states in part:

. . . a hospital accredited by the joint commission on the accreditation of health care organizations or the American osteopathic association is not subject to the annual inspection provided for in RCW 70.41.20 if:

- 1) The department determines that the applicable survey standards of the . . . commission . . . or the . . . association are substantially equivalent to its own;
- 2) It has been inspected by the . . . commission . . . or the . . . association within the previous twelve months; and
- 3) The department receives directly from the . . . commission . . . the . . . association, or the hospital itself copies of the survey reports . . . demonstrating that the hospital meets applicable standards.

**05-07 The Department of Health and the Department of Social and Health Services, Health and Recovery Services Administration , agreement covering hospitals' survey activities does not comply with federal requirements.**

**Background**

The Medicaid State Plan must designate the authorities within the state that are responsible for establishing and maintaining health standards for private or public institutions that provide services to Medicaid recipients. In Washington State, the responsibility lies with the Legislature, the State Board of Health, the State Fire Marshal, the Department of Social and Health Services and the Department of Health.

Federal law also requires a written agreement between the Medicaid agency and the survey agency. Certain stipulations must be set forth in the agreement covering the activities that the survey agency must perform in order to carry out its responsibilities. In Washington State, the designated Medicaid agency is the Department of Social and Health Services and the survey agency is the Department of Health.

In our fiscal year 2003 audit, we reported to management that the Department of Social and Health Services had not established a written agreement with the Department of Health for survey activities as required by federal regulation.

During our audit of fiscal year 2004, we found that the Department of Health and the Health and Recovery Services Administration (formerly Medical Assistance Administration) had recently signed a Memorandum of Understanding for survey activities. However, this document did not meet all federal requirements covering survey activities. We found the document lacked four items that the federal government requires:

- The forms, methods and procedures the Health Department was to use to determine provider eligibility and certification under Medicaid.
- That the Health Department must require surveyors to:
  - Complete inspection reports.
  - Note on the report if each requirement is satisfied.
  - Document deficiencies in a report.
- That the Health Department will keep on file all information and reports used in determining whether Medicaid participating facilities meet federal requirements.
- That the Health Department will make information and reports required by federal law readily accessible to the U.S. Department of Health and Human Services and the Medicaid agency.

**Description of Condition**

In our current audit, we followed up to determine whether progress had been made in correcting the conditions we found in our previous audits. The Department had stated it was modifying the interagency agreement to include all provisions required by law. Staff reported that this work was in progress as part of a review of all interagency contracts.

The Department of Health reported that, for the period being tested, no changes in survey documentation had been made or discussed with the Department and no plans were in place to address these issues in the future. After our testing was concluded and the Administration was notified of this condition, the Health Department told us discussions were under way, but only regarding the sharing of hospital information.

### **Cause of condition**

The Department of Health reported that it is the responsibility of the Department of Social and Health Services, as Medicaid State Plan Administrators, to initiate changes to the agreement that comply with federal requirements for survey activities of hospitals.

### **Effect of condition**

Without an agreement that conforms to federal regulations, the state is making significant payments to hospitals for services to Medicaid clients with little assurance that the Department of Health will conduct surveys that ensure services provided are meeting state health standards and regulatory requirements. Lack of compliance with federal regulations could jeopardize federal funding.

### **Recommendation**

We recommend the Department of Social and Health Services modify the agreement with the Department of Health to include all provisions required by law.

### **Departments' Response**

*This response was written jointly by the Department of Health and the Department of Social and Health Services.*

*We partially concur with the finding by the State Auditor's office.*

*The Department of Health (DOH) and the Department of Social and Health Services have a signed agreement effective November 1, 2005 that complies with the Medicaid State Plan and Federal requirements. A copy of this agreement is available at the Department of Social and Health Services.*

*DOH agrees to follow the policies, procedures and guidelines for Medicare surveys as stipulated in the Medicare State Operations Manual, the Medicare Policies of Documentation and the Federal Regulations Interpretive Guidelines.*

*The Centers for Medicare & Medicaid Services (CMS) are responsible for enforcing these policies and developing procedures to include documentation requirements. CMS conducts an annual performance review of the DOH to determine conformance with their policies/procedures/guidelines and regulations. CMS has conducted these reviews annually for the past three years and found DOH to be in compliance.*

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

We appreciate the steps the Department of Social and Health Services and the Department of Health have taken to initiate the resolution of this issue. However, these efforts alone will not bring the state into compliance with federal regulations for surveys of hospitals. The agreement as written does not conform to 42CFR431.610(f). Specifically, it does not provide:

- The survey forms, methods and procedures the Health Department must use to determine provider eligibility and certification under Medicaid.
- That the Health Department must require surveyors to:
  - Complete inspection reports
  - Note on reports if each requirement is satisfied
- Although we note that the Health Department agreed to comply with the mandatory release requirements of certain information in a timely manner, the Department of Health would not be able to comply because it does not have all of the required information and reports on file.

- That the Health Department will make information and reports required by federal law readily accessible to the U.S. Department of Health and Human Services and the Medicaid agency.

Additionally, it provides that Medicaid qualifying surveys will conform to a schedule that meets criteria established by CMS. The agreement does not state the surveys will conform to the 18-month frequency as stipulated in the Medicaid State Plan and state law. Medicare hospital surveys are generally conducted every three years.

The agreement also requires that surveys will be conducted according to provisions in the State Operations Manual. We reported in another area of our audit that this manual, although approved by CMS, does not conform to criteria stipulated in the Code of Federal Regulations. If the state receives federal Medicaid matching funds for expenditures related to Medicaid, the State Auditor's Office is required to determine if there is reasonable assurance that the federal compliance requirements for Medicaid were met. Although the Medicaid program is mentioned in the agreement, compliance with Medicare regulations is the criteria that the Departments' are striving to meet. In following Medicare survey activities as outlined in the State Operations Manual, the state will not be ensuring that all conditions of participation have been surveyed as required by Medicaid regulations. Additionally, in following the Medicare documentation standards for Medicaid surveys, the Health Department will not be in compliance with the Medicaid survey documentation requirements for its surveys since Medicare only requires documentation of exceptions. In another part of our audit, we found that the Health Department does not have documentation on file to substantiate that all areas of a hospital were audited as required by federal regulations for the Medicaid program. The State Auditor's Office cannot conduct compliance audits of hospital survey activities if no documentation exists to audit.

In 2003, CMS conceded that the State Auditor's Office had found inconsistencies between federal law and the instructions CMS has given to states in terms of survey practices. Our guidance from the U.S. Department of Health and Human Services Office of the Inspector General is that we must report compliance according to the current federal regulation.

We reaffirm our finding that the Department of Health and the Department of Social and Health Services are not complying with state law or the provisions of the Medicaid State Plan, which help to ensure compliance with health and safety standards for hospitals.

### **Applicable Laws and Regulations**

In describing the authority of the Medicaid State Plan, Title 42 of the Code of Federal Regulations, Section 430.10, states:

The State Plan is a comprehensive written statement submitted by the agency describing the nature and scope of its Medicaid program and giving assurance that it will be administered in conformity with the specific requirements of title XIX, the regulations in this Chapter IV, and other applicable official issuances of the Department. The State plan contains all information necessary for CMS to determine whether the plan can be approved to serve as a basis for Federal financial participation (FFP) in the State program.

The Department of Social and Health Services acknowledges the authority of the State Plan and announces its commitment to abide by it in section 1.1 of the State Plan, which states:

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(a) The State agencies utilized by the Secretary to determine qualifications of institutions and suppliers of services to participate in Medicare is responsible for establishing and maintaining health standards for private or public institutions . . . that provide services to Medicaid recipients. These agencies are: the Department of Social and Health Services and the Department of Health.

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Surveys are conducted in accordance with the Interagency Agreement between the Department of Social and Health Services (DSHS) and the Department of Health (DOH).

42CFR431.610(f) states in part:

Written agreement required. The plan must provide for a written agreement between the Medicaid agency and the survey agency . . . covering the activities of the survey agency in carrying out its responsibilities. The agreement must specify that:

- (1) Federal requirements and the forms, methods and procedures that the Administrator designates will be used to determine provider eligibility and certification under Medicaid;
- (2) Inspectors surveying the premises of a provider will
  - (i) Complete inspection reports;
  - (ii) Note on completed reports whether or not each requirement for which an inspection is made is satisfied;
  - (iii) Document deficiencies in reports
- (3) The survey agency will keep on file all information and reports used in determining whether participating facilities meet Federal requirements;
- (4) The survey agency will make the information and reports required under paragraph (f) (3) of this section readily accessible to HHS and the Medicaid agency as necessary
  - (i) for meeting other requirements under the plan;
  - (ii) for purposes consistent with the Medicaid agency's effective administration of the program.

**05-08 The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), received federal Medicaid funds for unallowable services provided to undocumented aliens.**

**Background**

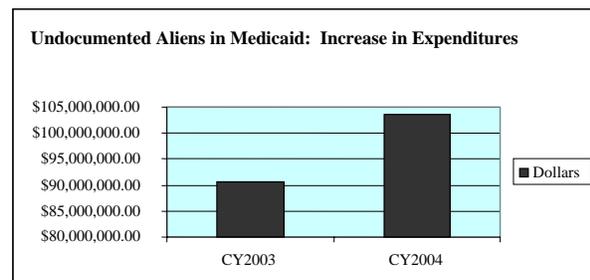
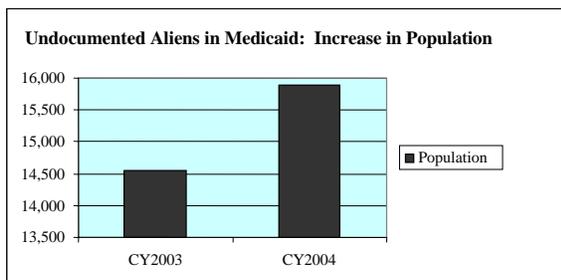
As a requirement for receiving federal Medicaid funds (CFDA 93.778), the Department of Social and Health Services must provide medical benefits to three groups: eligible residents of the United States who are citizens, aliens lawfully admitted for permanent residence, and certain aliens granted lawful temporary resident status. Undocumented aliens are not included in these three groups.

In most cases, if a state chooses to provide medical services to undocumented aliens, it must use its own funds. Federal Medicaid matching funds are available only if the medical services provided are the result of an emergency situation, including obstetrical services at the time of delivery. Emergency medical services are defined in the U.S. Code of Federal Regulations and the Medicaid State Plan. Non-emergency medical services provided to undocumented aliens cannot be charged to the federal government. The Department and the federal government define “emergency medical condition” as the sudden onset of a medical condition so severe that, without immediate medical attention, serious jeopardy to a person’s health, serious impairment of bodily functions, or a serious dysfunction of a bodily organ or part would be expected.

In our audit of fiscal year 2003, Department records showed that 9,717 undocumented aliens received medical services from July 2002 through December 2003. Based on our risk analysis, we selected 169 of these patients in six service categories and found that non-emergency procedures, routine medical services and durable medical equipment were provided to undocumented aliens and paid for with Medicaid funds. We found payments for adult day care, massages, dental fillings, routine eye exams, regular office visits and in-home care, as well as supervision of normal pregnancies and routine postpartum follow-up. Medicaid payments were made for eyeglasses and contact lenses, breast pumps, dentures, contraceptive devices, disposable incontinence garments and replacement wheels for wheelchairs. We found payments for conditions such as menopause, cough, breast engorgement and nearsightedness. As a result, we questioned \$1,342,420 in state and federal costs.

In our audit of fiscal year 2004, we were unable to determine if the Department made any improvements to its systems because the Department did not allow us access to all the records that we needed to perform our testing. For the testing we were able to accomplish, we found that the Department provided non-emergency services to 274 undocumented aliens totaling \$5,141,726. These services included adult day care, dental, nursing home, in-home services and personal care services.

Department records showed that, from January 2003 through December 2003, 14,553 undocumented aliens received services through the Medicaid program for a total of \$90,590,401. For the same period in 2004, the Department’s records indicated that it provided services to 15,890 undocumented aliens. The Medicaid program paid \$103,698,442 for this care. This is an increase of 9 percent in population and 14 percent in expenditures from the previous year.



## Description of Condition

In our current audit, we followed up to determine if improvements had been made to the controls, which would ensure that only emergency services were paid for with federal funds. Using the Department's records, we found that 4,692 diagnostic codes, totaling \$103,698,442, were reported by providers in the claims they submitted for services provided to undocumented aliens.

The diagnostic code tells what condition the client had that required treatment. The procedure code, on the other hand, shows the actual treatment that the client was given. Generally, these are related in that the services rendered are deemed customary for the client's condition. Our preliminary analysis revealed the procedures for which the claim was paid often were unrelated to the diagnoses. For instance, we found diagnostic codes for sprained ankles or limb contusions associated with durable medical equipment such as breast pumps. This revealed that the diagnostic code alone, as reported in the Department's system, could not be relied upon to determine whether the expenditure was for an emergent or non-emergent service and, thus, allowable for federal Medicaid funds. This required us to perform more detailed testing that would incorporate an analysis of the procedure code as well as the diagnostic code for each transaction that we wished to test.

We reviewed 333 (7 percent) of the 4,692 diagnostic codes and \$88,039,565 (85 percent) of the \$103,698,442 in expenditures reported in the Department's records for undocumented alien clients. This review included related procedures and associated transactions. In all, we tested 647,131 transactions. Our testing attempted to determine whether or not the diagnostic code and procedure code associated with it adhered to the federal definition of emergent and whether or not the Department had enough information within the accounting system to determine the propriety of the transaction.

Our testing revealed that:

- \$28,013,625 (32 percent) was paid for diagnoses and procedures that did not conform to the federal definition of emergent.
- The following expenditures were paid on claims for which information in the Department's system was inadequate to determine the propriety of the transaction.
  - \$47,043,702 (53.4 percent) was paid on claims with no procedure codes.
  - \$1,648,452 (1.9 percent) was paid on claims with no diagnostic codes.
  - \$3,326,866 (3.8 percent) was paid on claims with no diagnostic codes and no procedure codes.
  - \$3,167,289 (3.6 percent) was paid on prescription medications when no indication was given for what condition the drug was being used.
  - \$3,961,673 (4.5 percent) was paid for diagnoses and procedures that conformed to the federal definition of emergent. \$290,645 (0.3 percent) was paid for with state funds.

We did not test diagnostic categories that were related strictly to newborns, as it is reasonable to assume that the newborn may be a citizen even if the mother is an undocumented alien. We did not determine whether these clients were actually born in the United States, but relied on the Department's designation of "newborn" in the accounting records. This total was \$877,959.

In general, claims were paid on the following diagnostic categories:

\$57,803,194	Pregnancy-related which included prenatal, labor and delivery, postnatal and sterilizations. Of this amount \$2,911,194 was for labor and delivery.
\$ 2,327,481	Treatments for cancer including chemotherapy and radiation therapy.

\$ 2,697,283	Treatments for kidney diseases including transplants.
\$ 1,691,934	Dental care including oral evaluations and check ups, cleanings, fillings, bridges, crowns and cosmetic treatments.
\$ 245,770	Eye exams, spectacles and contact lenses.
\$ 1,055,949	Gynecological procedures including male and female contraceptive devices, contraceptive supervision and annual checkups.
\$12,591,709	Miscellaneous diagnostic codes which included hearing exams, physical therapy, carpal tunnel syndrome, in growing nails, acne, irregular menstruation and others.

We found no improvements in the Department's controls from previous years. Social Security numbers are not consistently verified prior to admitting clients into the Medicaid program as federal law requires. Although undocumented aliens do not have Social Security numbers, we have found evidence in which staff has accepted a Social Security card given to them by an undocumented alien. Instances in which the Department has accepted verbal representations of a number by a client are common in its records.

The Department's accounting system continues to be unable to differentiate undocumented aliens who have received emergency services from those who have not. Staff has informed us that the programming needed to perform this function will not be addressed until June 2007 when a new computer system is expected to arrive.

We found no improvements to the procedure manuals that staff is required to use. We found instances in which the guidance provided in the manual conflicts with federal law for the program.

#### **Cause of Condition**

- Social Security numbers are not consistently verified prior to admitting clients into the Medicaid program. Further, the Department does not heed federal alerts notifying staff of invalid Social Security numbers.
- The Department's accounting system does not differentiate undocumented aliens who have received emergency services from those who have received non-emergency services.
- When the Department enters an undocumented alien into its system in order to pay for emergency medical costs, it enters that client for a three-month period. During that time, it pays for all medical services provided to that client, emergency or not. At the end of three-months, the client can be approved for an additional amount of time. This appears to occur continually, as we have seen clients in the system over a period of several years.
- Department staff stated the procedure manuals contain insufficient and unclear guidance and are often too technical for non-medical personnel to understand.
- In its eligibility manual, the Department lists certain medical diagnoses that are pre-authorized as emergencies. If a client who is an undocumented alien has a medical diagnosis that is not on the list, staff members are instructed to refer the case to the Department's medical staff. We found these referrals were not being made in a consistent manner.

#### **Effect of Condition**

The Census Bureau reported that 45 million Americans did not have health insurance in 2003, an increase of 1.4 million from 2002 and 5.2 million from 2000. People often do not have access to Medicaid because states do not have sufficient funding to provide quality care for all. Economic factors as well as natural disasters force states and individuals to rely on the federal government for assistance and to compete for limited health-care dollars.

Washington State is providing services to thousands of ineligible clients using federal Medicaid money. The majority of these clients were admitted into the program due to unaddressed significant weaknesses in the Department's controls. This is causing the nation's taxpayers to subsidize Washington State's noncompliance. Our testing showed that the state had \$83,199,933 in questioned costs, half of which were paid with federal Medicaid funds. Lack of compliance with federal regulations could jeopardize future federal funding.

### **Recommendation**

With respect to compliance with federal regulations, we recommend the Department:

- Revise its policies regarding emergent conditions to conform to federal regulations.
- Work with the U.S. Department of Health and Human Services to determine if any costs related to noncompliance charged to Medicaid must be returned.

With respect to strengthening internal controls, we recommend the Department:

- Develop internal controls that require employees to verify applicants' Social Security numbers and heed alerts sent by the Social Security Administration pertaining to invalid numbers.
- Develop clear and complete policy and procedure manuals.
- Develop an accounting system that will differentiate emergency from non-emergency procedures so that the appropriate funds can be used to pay for the designated services.

With respect to caring for the state's growing undocumented alien population, we recommend the Department:

- Fund a state program that would pay for the additional care that the state wishes to provide.

### **Department's Response**

*The Department disagrees with this finding. The Department has made improvements in the policy, tracking and reporting of Alien Emergency Medical (AEM) expenditures.*

- *The Department initiated a review of its AEM policies as a result of the FY2003 audit. Since then, it has clarified these policies regarding the allowability of AEM expenditures effective July 2005. We believe the current policies are consistent with federal and state regulations. There have been updates to manuals, forms and procedures within the Department to reflect these changes. The accounting system has been setup to identify these services and implemented a quarterly review of these expenditures.*
- *The Department has also been notified of an Office of Inspector General audit for this program to commence on March 1, 2006. The result of this audit will clarify the Department's interpretation of the AEM policy regarding emergent vs. non-emergent services.*
- *The State Auditor's Office (SAO) recommends the Department fund a state program that would pay for the additional care that the state wishes to provide. The Department suggests the SAO either remove this recommendation from their report or direct the recommendation to the Office of Financial Management or the Legislature. It is not within the Department's authority to create and fund a program using General Fund-State dollars.*

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

- The Department has not brought to our attention any policy changes it has made or intends to make with respect to allowability of expenditures it is making on behalf of undocumented aliens. Any changes that

were implemented after July 1, 2005, were after our audit period and will be reviewed during our fiscal year 2006 audit.

- We are aware that the Office of the Inspector General will conduct an audit regarding the allowability of the Department's expenditures in the Alien Emergency Medical program. The Inspector General's Office has been in contact with the State Auditor's Office.
- If the Department desires to expend federal funds for a purpose that is unallowable, as it has done with its undocumented alien clientele, then it is the Department's responsibility to inform the Office of Financial Management and the Legislature of its needs.

## **Applicable Laws and Regulations**

### Allowability and Eligibility

Section 1903 of the Act (41 U.S.C., Section 1396(b)) provides in part:

- (1) No payment may be made to a State under this section for medical assistance furnished to an alien who is not lawfully admitted for permanent residence or other wise permanently residing in the United States under color of law.
- (2) Payment shall be made under this section for care and services that are furnished to an alien described in paragraph (1) only if -
  - (A) such care and services are necessary for the treatment of an emergency medical condition of the alien,
  - (B) such alien otherwise meets the eligibility requirement for medical assistance . . . and
  - (C) such care and services are not related to an organ transplant procedure.

Washington Administrative Code 388-500-0005 describes emergency services as follows:

Emergency medical condition means the sudden onset of a medical condition (including labor and delivery) manifesting itself by acute symptoms of sufficient severity (including severe pain) such that the absence of immediate medical attention could reasonably be expected to result in:

- Placing the patient's health in serious jeopardy;
- Serious impairment to bodily functions; or
- Serious dysfunction of any bodily organ or part.

Washington Administrative Code 388-500-0005 also defines emergency medical expense requirements as follows:

A specified amount of expenses for ambulance, emergency room or hospital services, including physician services in hospital, incurred for an emergency medical condition that a client must incur prior to certification for the medically indigent program.

The Department's *A-Z Eligibility Manual* describes what constitutes an emergency medical condition. It states, in part:

- 1 . . . In order to be eligible for the Alien Emergency Medical (AEM) program, a person must: . . .
  - a. Have an emergency medical condition. (Refer to the list of emergency medical conditions in the Medically Indigent section) . . . .

Washington Administrative Code 388-438-0110 describes alien emergency medical as follows:

An alien, who is not eligible for other medical programs, is eligible for emergency medical care and services:

- (1) Regardless of their date of arrival in the United States;
- (2) Except for citizenship, meets Medicaid eligibility requirements as described in Washington Administrative Code 388-505-0210, 388-505-0220 or Washington Administrative Code 388-505-0110; and
- (3) Limited to the necessary treatment of an alien's emergency medical condition as defined in Washington Administrative Code 388-500-0005, except that organ transplants and related medical care services are not covered.

Washington Administrative Code 388-424-0010 describes alien status and eligibility requirements for medical benefits. Paragraph (3) states the extent of those services:

An alien who would qualify for Medicaid benefits but is ineligible solely because of his or her alien status, can receive medical coverage as follows:

- (a) State-funded categorically needy (CN) scope of care for . . .
  - (i) Pregnant women, as specified in Washington Administrative Code 388-462-0015

Administrative Code 388-462-0015 states that care to pregnant women who do not meet eligibility requirements due to citizenship status will be provided under state funded programs only:

A pregnant woman is eligible for CN scope of care under the state-funded pregnant woman program if she is not eligible for programs in subsection (2) of this section due to citizenship, immigrant or Social Security Number requirements.

Revised Code of Washington 43.20A.550 states that rules and regulations in conflict with federal law are deemed inoperative:

. . . Any section or provision of law dealing with the department, which may be susceptible to more than one construction, shall be interpreted in favor of the construction most likely to comply with federal laws entitling this state to receive federal funds for the various programs of the department. If any law dealing with the department is ruled to be in conflict with federal requirements which are a prescribed condition of the allocation of federal funds to the state, or to any departments or agencies thereof, such conflicting part of chapter 18, Laws of 1970 ex. sess is declared to be inoperative solely to the extent of the conflict.

**05-09 The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), is not complying with federal requirements to defer Medicaid expenditures related to undocumented aliens.**

**Background**

The federal government requires states to report expenditures for medical assistance and administrative costs on a quarterly basis. This report is referred to as the CMS-64. The federal government reimburses states for a defined percentage of expenditures based on the information submitted in these reports. Line 6, Item 27 of the CMS-64 claim form, Emergency Services Undocumented Aliens, is to be used to report allowable emergency expenditures for undocumented aliens.

In our audits of state fiscal year 2003 and 2004, we found that Department of Social and Health Services was not reporting payments for alien emergency medical (AEM) services on the claim form as required. Instead, it combined payments for both allowable emergency services and unallowable non-emergency services and reported that amount in other categories of the form as allowable expenditures. In our audit of state fiscal year 2004, we reported that the Department was receiving federal Medicaid funds to which it was not entitled.

On May 6, 2005, Centers for Medicare and Medicaid Services (CMS) informed the Department that a deferral of \$3,636,690 in federal funds for the quarter ending December 31, 2004, was being made to the Medicaid grant for federal fiscal year 2005. This means the funds drawn for that quarter could not be claimed, pending a determination of allowability. In addition, the following quarter expenditures would have to be reduced by the same amount. CMS also directed the Department not to draw any funds for emergency services for undocumented aliens from the annual grant until the federal government reviewed the expenditures being claimed by the Department. We were informed by the Office of Inspector General that a federal audit of expenditures related to the Alien Emergency Medical program would be conducted sometime in the near future.

**Description of Condition**

In our audit of state fiscal year 2005 we found:

- We could not confirm the Department's representations that all expenditures for undocumented aliens were deferred in the second quarter of federal fiscal year 2005 as required by the federal government. Since we could not confirm the deferral and since no changes had been made in the Department's procedures in this area we have no reasonable assurance that the deferral occurred in subsequent quarters as well.
- The Department conceded it was not deferring expenditures related to labor and delivery, as they believed that these expenditures were for emergent care. However, in our review of Alien Emergency Medical in another part of our audit, we found, even though a client may have a diagnosis of labor and delivery, the procedures for which the claims were paid included treatments for dental care, eye exams and other non-emergent procedures. We also found what the Department termed "labor and delivery" was actually pregnancy-related expenditures, which often include prenatal and postpartum procedures, which do not conform to the federal definition of emergent.
- The state continues to misrepresent expenditures reported on the claim form when it reports no expenditures for undocumented aliens when, in fact, it is drawing funds for pregnancy-related expenditures paid on behalf of undocumented aliens. These unallowable expenditures that should be deferred are being commingled with other expenditures and reported on lines reserved for clients that have been deemed eligible for the Medicaid program.

**Cause of Condition**

The Department has no coding in its accounting records to differentiate emergency services from non-emergency services for undocumented aliens. All of these services are included in one accounting category.

The Department believes that all pregnancy-related expenditures qualify as emergent conditions and thus are exempt from deferral. The Department's decision to isolate these expenditures and not defer them as instructed by CMS was solely the Department's. We are not aware of any exemption granted by the federal government.

### **Effect of Condition**

The state may have to repay the federal portion of those expenditures that should have been deferred but were not. The estimated liability to the state ranges from \$9,088,295 to \$10,704,756 for the second federal fiscal quarter and for each subsequent quarter that deferred expenditures were drawn. Estimated liability for state fiscal year 2005 is \$18,176,590 to \$21,409,511. As the state continues to draw these funds the liability increases on a quarterly basis. Estimated liability to the state as of September 30, 2005, was approximately \$27,264,885 to \$32,114,267.

### **Recommendation**

We recommend the Department:

- Develop account coding that would differentiate emergency from non-emergency services for undocumented aliens and report the proper allowable amount on the correct line of the CMS-64 claim form.
- Not draw funds for emergency services for undocumented aliens from the Medicaid award until instructed to do so by the federal government.
- Work with the U.S. Department of Health and Human services to determine if any un-deferred costs charged to Medicaid must be returned.

### **Department's Response**

*The Department does not concur with this finding for the reasons outline below:*

- *The Department's Office of Accounting Services (OAS) has deferred all AEM expenditures effective October 1, 2004 as required by the Centers for Medicare and Medicaid Services (CMS) in a letter dated May 6, 2004. This deferral requires that the state does not draw down federal matching funds for AEM expenditures, except for labor and delivery. The deferral is shown strictly in the state's accounting system, Agency Financial Reporting System (AFRS), since all payments from the Medicaid Management Information System (MMIS) will continue to show federal match. At the end of each quarter, which coincides with the CMS64 reporting cycle, the OAS prepares an accounting entry in AFRS so that all AEM expenditures are funded with state funds only. This process recognizes that AFRS is the state's official accounting and reporting system and the MMIS is only a payment system.*
- *The Department received written clarification from a CMS official, John Lynch's e-mail dated November 17, 2005, which affirms that labor and delivery charges are excluded from the deferral and have shared this with the State Auditor's Office (SAO). Additionally, this information was shared with the SAO in an e-mail from Susan Lucas on December 15, 2005. Therefore, the Department does not believe that the federal match of approximately \$35.0 million per fiscal year is inappropriate. (These email documents are available from DSHS.)*
- *As a result of prior audits, the Department has improved its reporting and monitoring of this program. These changes include establishing necessary account coding so that these expenditures can be properly report on the CMS64; update and clarify the Department's policy on AEM that focus on emergent conditions; and obtain a thorough understanding of the MMIS data as it relates to this program so as to ensure that others would not misinterpret the data. Currently, the Department differentiates emergent vs. non-emergent services through its policy as well as the use of both diagnosis and procedures codes and quarterly review of the AEM expenditures.*

*Finally, the Department has received notification of the Office of Inspector's General audit for this program, which will begin on March 1, 2006. We look forward to this audit as it will provide needed clarifications and guidance on the allowability of AEM expenditures.*

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

- The Department interprets the instructions issued by the Center for Medicare and Medicaid as a requirement "that the state does not draw down federal matching funds for AEM expenditures, except for labor and delivery". We believe that the letter dated May 6, 2004, is plainly worded:

You are advised not to draw funds for emergency services for undocumented aliens from this award because CMS will not provide funding for these expenditures nor approve reimbursement for these claims via the CMS-64 Quarterly Statement of Expenditures Report process until final resolution of this issue.

Resolution of this issue did not occur in our audit period and to this date remains pending.

- The Department states that an email from the Center for Medicare and Medicaid dated November 17, 2005, provides further clarification and affirms its position "that labor and delivery charges are excluded from the deferral" and that they have shared this with the State Auditor's Office. While the Department's interpretation of the content was shared with us the actual email was first seen with this response.

Reading beyond the first sentence the email reiterates our position. Specifically,

- Diagnostic and procedures codes must be present to determine the allowability of the transaction for the Alien Emergency Medical program.
- In the Department's records there are expenditures under the diagnosis of labor and delivery, which are not allowable.

In that email, CMS stated:

The problem in looking at the accounting codes for the \$30 million . . . as Emergency Services for undocumented aliens is that it obviously does not identify the diagnosis/procedure codes for them. In fact in reviewing the acct codes . . . some costs for example EPSDT Screening (**Early and Periodic Screening, Diagnostic, and Treatment, added for clarification**) are listed . . . Obviously these costs are not 'ER for undoc aliens' or Labor & Delivery and should not be reported on the CMS 64 or CMS 21. Also there is Dental-Adult in the amount of \$286,089 TC and Dental-Children amount of \$40,686 under Subprogram 1277 which are also not Labor & Delivery.

CMS concluded as follows:

Therefore the State should not claim the \$30 million Total Computable this quarter (7/1-9/30/05) and send us a CD in Microsoft Access for the detail of these claims/costs for the \$30 million TC with the name/client identifier, service date, paid date, diagnosis code, CPT 4 code, ICD 9, etc. (description of service rendered), and if at all possible the subobject code for example M412 Prescription Drugs FP, M510 Dental Adults for each claim. Then we will review the claims and determine which amounts are Labor & Delivery, which can be reclaimed next quarter.

We do not know if the instructions given by CMS in this email were followed.

- The Department states it “differentiates emergent vs. non-emergent services through its policy as well as the use of both diagnosis and procedure codes and quarterly review of the AEM expenditures”. We do not know how the Department would be able to do this. Our testing showed that diagnosis and or procedure codes were not always present. We found expenditures with:

Diagnosis codes without procedure codes	\$44,571,491.47
No diagnosis or procedure codes	\$ 3,326,866.47
Procedure codes without diagnosis codes	\$ 1,648,451.61
Prescriptions with no diagnosis codes	<u>\$ 3,167,288.51</u>
Total	\$52,714,088.06

Thus, 60 percent of the expenditures tested either had no diagnosis codes or no procedure codes or in some cases neither was present.

We also found that the Department has no way of determining which transactions are emergent vs. non-emergent for Alien Emergency Medical. Our testing showed that at the end of each quarter the Department downloaded all transactions related to undocumented aliens and transferred these expenditures to an account code designated as Alien Emergency Medical without regard to whether or not the transaction met the definition of emergent. The Department stated that they did not have the time or the expertise to review diagnosis or procedure codes and felt that diagnosis and procedure codes were not necessary in order to pay the claim or to call the transactions emergent.

We reaffirm our finding and our recommendation that the Department needs to develop account coding that would differentiate emergency from non-emergency services for undocumented aliens, report the proper allowable amount on the correct line of the CMS-64 claim form and not draw funds for emergency services for undocumented aliens from the Medicaid award until instructed to do so by the federal government.

### **Applicable Laws and Regulations**

The state of Washington’s Office of Financial Management’s *State Administrative and Accounting Manual*, Section 50.30.45.2, describes the reporting responsibilities of state agencies that administer or expend federal awards:

Identify, account for, and report all expenditures of federal awards in accordance with laws, regulations, contract and grant agreements, and requirements included in this and other sections of the OFM *State Administrative and Accounting Manual*.

Title 45, Code of Federal Regulations, Section 92.20(a), states:

A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds.

Title 42, Code of Federal Regulations, Section 430.30(c), states:

Expenditure reports (1) The State must submit Form CMS-64 (Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program) to the central office (with a copy to the regional office) not later than 30 days after the end of each quarter. (2) This report is the State's accounting of actual recorded expenditures. The disposition of Federal funds may not be reported on the basis of estimates.

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

The auditee shall . . .

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

**05-10 The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), has not established sufficient internal controls to support its decisions on eligibility of clients enrolled in Medicaid's Basic Health Plus Program.**

**Background**

Among Medicaid enrollees are children of parents and guardians who participate or who have participated in the state's Basic Health Plan. The Basic Health Plan is designed to provide affordable health insurance to any eligible Washington resident and is administered by the Washington State Health Care Authority. An application for the Basic Health Plan by a parent may also be used as a joint application for Basic Health Plus Program for any child in the household. Children of Basic Health Plan members whose family income meets the net income standards for Basic Health Plus may be eligible for Medicaid benefits. The Health Care Authority provides the insurance coverage under Basic Health Plus, while the Health and Recovery Services Administration (formerly Medical Assistance Administration) pays the premiums.

Federal auditing guidelines require us to follow up on previous years' audit findings to determine if they have been resolved. In our audits of state fiscal years 2001, 2002 and 2003, we reported findings related to weaknesses in the internal control structure in the Administration's management of the Basic Health Plus Program.

- For 2001, we found multiple weaknesses in the internal controls over determining client eligibility. We reviewed 60 client files and found 27 clients (47 percent) exceeded the net income standard for Medicaid eligibility and were not entitled to benefits.
- For 2002, we found that the Administration was restructuring controls and training staff. However, most of the corrective actions did not occur before fiscal year 2002 had ended and the internal control weaknesses that were found in 2001 continued in 2002.
- For 2003, we again reviewed the actions taken by the Administration and found it had made some significant improvements. However, most of the corrective actions did not occur before fiscal year 2003 ended. We also found weaknesses that the Administration had not yet addressed. These included:
  1. For self-employed households, income information was not confirmed with an independent source such as tax returns from the state's Department of Revenue or the Internal Revenue Service. The Department continued to accept self-declarations of income. We reviewed five self-employed clients and found all five were either ineligible for benefits or the Administration could not provide the documentation to substantiate their initial eligibility.
  2. We reviewed five wage-earning clients, as well, and found similar results for three out of the five.
  3. The Administration could not provide evidence of procedures that ensured clients were reporting income changes immediately.
  4. Administration staff had not achieved its quotas for eligibility reviews.
  5. The Administration was not using monthly reports from the Authority informing them of the subscribers who were disenrolled due to noncompliance with the Health Care Authority's recertification process.
- For 2004, the audit liaison systems that the Health Care Authority and the Medical Assistance Administration set up prevented us from obtaining the information and conducting the procedures necessary to complete our audit according to *Generally Accepted Auditing Standards* and in compliance with federal auditing regulations. Due to an agency-imposed scope limitation, we disclaimed an opinion on compliance related to allowable costs and eligibility of Medicaid clients under the Basic Health Plus program.

## **Description of Condition**

In our follow up work for our current audit, we saw some improvement. The Department is no longer accepting declaration of income for its wage-earner clients. However, the Department is not determining if adults other than head-of-household are employed. No improvements have been made for self-employed clients. The Department is not verifying the income of these individuals with an independent source. We found, in most cases, it accepts the client's declaration of income and the Department makes no efforts to determine if the spouse in the household is employed.

For our audit, we selected a valid sample of the 306 clients. We found exceptions for 300 (98 percent) as follows:

- 58 clients in the sample were self-employed. For 56 of these clients, the Department did not have sufficient income documentation to support its determination of eligibility.
- 188 clients in the sample were wage earners. For 184 of these clients, the Department did not have sufficient income documentation to support its determination of eligibility.
- For 60 clients, (20 percent) documentation in the Administration's files was insufficient to determine if these clients were self-employed or wage earners.

For these clients, we also found:

- 27 clients (9 percent) had no applications or incomplete applications on file.
- 13 clients (4 percent) had applications but they were unsigned.
- 10 clients (3 percent) were listed in the Administration's systems but it could provide no documentation on these clients.
- Three clients (1 percent) could not be found in any of the Department's systems other than the payment for their premiums. These are highly susceptible for fraud.

Our computer analysis also revealed clients with family incomes over \$75,000 and with less than nine recipients in the household, the threshold for this income level. We found 52 clients with incomes ranging from approximately \$75,000 to \$140,000. The Department's records reported these households as having eight or less recipients in the family. For these households we found:

- 25 families (48 percent) were at one time enrolled in Basic Health Plus and now are no longer enrolled.
- 25 families (48 percent) were actively enrolled in the program.
- One family (2 percent) would become eligible once a certain amount of medical liability was incurred.
- One family (2 percent) was denied coverage.

## **Cause of Condition**

- The Department reported that it does not verify income from third-party sources such as the Internal Revenue Service, the Department of Revenue and the Employment Security Department because it does not believe the information is accurate for its purposes. The Department believes a client's declaration of income is more up-to-date and thus sufficient.
- The Department reported it does not use the alerts sent by Health Care Authority, informing it of subscribers who have surpassed the income standard for Basic Health and who are disenrolled, because

they do not consider these reports to serve any useful function. The Department believes a parent's disenrollment from Basic Health does not affect the child's eligibility for Basic Health Plus.

### **Effect of Condition**

The Department is not complying with federal requirements to verify income with independent sources to ensure that individuals meet the financial and categorical requirements for Medicaid. This noncompliance has resulted in \$29,206,364 in actual and projected questioned costs. \$14,603,182 was paid for with federal funds.

### **Recommendation**

We recommend the Department:

- Establish and follow policies and procedures that require staff to corroborate the client's representations and to exercise a level of judgment, care, prudence, determination and activity that a person would reasonably be expected to do when determining eligibility.
- Work with the U.S. Department of Health and Human Services to determine if any costs charged to Medicaid federal funds must be reimbursed as a result of this noncompliance.

### **Department's Response**

*The Department disagrees with this finding. Specific responses to the items under "cause of condition" are listed below.*

- 1. The auditor states that the Department does not verify income from third party sources. This statement is not accurate. The Department does review the income that is reported on the application/eligibility review provided by the client and follows instructions per agency policy, which requires that workers use any one of the several sources to verify income. These sources include other federal and state agencies' data.*
- 2. The auditor reports that families with incomes over \$75,000 were actively enrolled in the Basic Health plus program. We disagree with this finding. The Department follows the income methodology set forth in the Washington Administrative Code, A-Z Manual and federal regulations. The auditor has not shared with the Department the eligibility timeframes reviewed, or the methods it employed to calculate income. It is the Department's belief that the income amounts asserted by the auditors are incorrect and overstated. The Department assumes the State Auditor's Office (SAO) took an entire year or more from Employment Security Division, which overlapped claims paid, but the Department only looks at prospective income at the time of application or eligibility review. The SAO provided no dates for the period of time they pulled income data.*
- 3. The auditor states that the Department does not use alerts received from the Health Care Authority (HCA) on subscribers who are disenrolled because the subscriber has surpassed the income standard. As stated in the SFY03 audit response, the HCA does send individual Basic Health member change notices and those notices are acted upon in accordance with existing Medicaid policies regarding changes in household circumstances. Please note that changes in income do not affect a child's eligibility due to the Department's policy of continuous eligibility for up to 12 months.*
- 4. The Department partially disagrees with the finding related to applications that are not fully documented. For applications that have unverified social security numbers, where there is no client ID in the system and for some of the incomplete or missing applications, Medical Eligibility Determination Section staff were able to verify the necessary information. Documentation was delivered to the auditor on January 10, 2006 & January 23, 2006, but may have been delivered too late to be included in the audit report.*
- 5. For applications that are older than 1998, the application document has been purged from the State's files. We understand the SAO wants to see signed Medicaid applications that cover the period of time claims were paid for these clients, but since this audit review period is for SFY05 (7/04 – 6/05) we note that each*

*of these cases has a current and signed eligibility review that identifies the reported household circumstances from which the current Medicaid eligibility (if the case is still open) was determined.*

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

The Department states it verifies income that is reported on the application/eligibility review provided by the client. We found that, for wage-earners, the Department makes no attempt to ensure all income in the household is reported and verified when individuals apply for Basic Health Plus. For self-employed clients, the Department accepts the client's declaration of income and does not independently verify whether it is correct or whether other adults in the household have income.

When the Department does verify the income of applicants and clients, as in the case of wage earners, we found it only uses a single source, usually pay stubs. By not looking for additional resources through the Employment Security Department, Social Security Administration, Internal Revenue Service and Support Enforcement Agency, or other possible sources of income, the Department may not be aware of an applicant's total income. With the exception of the Internal Revenue Service, the Department's system is interfaced with these other sources of information and thus easily accessed by staff.

We provided the Department with a list of 25 active clients of the Basic Health Plus program whose household income was above \$75,000. On January 13, 2006, we provided the Department information we obtained from the Medicaid Management Information System, Health Care Authority and Employment Security Department for these clients. We provided the Department with the dates the information was gathered, the period tested and which month we reviewed in their eligibility system. The Department provided no response to any of this information.

We provided the Department a list of 300 instances in which we questioned eligibility. The Department responded on January 9, 2006, with explanations of why they believed a client was eligible. However, the Department did not provide the State Auditor's Office with evidence to substantiate their assertions. On January 23, 2006, the Department provided us with information on 35 of these individuals. We found documentation proving the eligibility of one of these clients, on whose behalf \$1,200 was paid.

The Code of Federal Regulations states that a signed application must be on file for all clients eligible for Medicaid. The Department states that, for applications older than 1998, the document has been purged but eligibility reviews are on file. An eligibility review does not replace an application and does not indicate that the client was eligible at the time of application.

The Department stated that changes in income do not affect a child's eligibility due to the Department's policy of continuous eligibility for up to 12 months. The provision for continuous eligibility for children on Medicaid was an amendment to the state supplemental budget that took effect in April 2005. This condition was not applicable for most of the period under audit, which ended June 30, 2005. However, continuous eligibility is contrary to current federal regulations which state:

The agency must promptly redetermine eligibility when it receives information about changes in a recipient's circumstances that may affect his eligibility. 42 CFR435.916(c)

Additionally, when state laws and regulations conflict with federal regulations, the Revised Code of Washington 43.20A.550 stipulates that state laws are deemed inoperative:

. . . Any section or provision of law dealing with the department, which may be susceptible to more than one construction, shall be interpreted in favor of the construction most likely to comply with federal laws entitling this state to receive federal funds for the various programs of the department. If any law dealing with the department is ruled to be in conflict with federal requirements, which are a prescribed condition of the allocation of federal funds to the state, or to any departments or agencies thereof, such conflicting part of chapter 18, Laws of 1970 ex.sess is declared to be inoperative solely to the extent of the conflict.

We reaffirm our finding and our recommendation that the Department establish and follow policies and procedures that ensure the eligibility of clients.

## Applicable Laws and Regulations

Title 45, Code of Federal Regulations, Section 92.20(a), states:

A state must expend and account for grant funds in accordance with state laws and procedures for expending and accounting for its own funds.

Revised Code of Washington 43.88.160(4), states:

. . . the director of financial management, as agent of the governor, shall:

Develop and maintain a system of internal controls and internal audits comprising methods and procedures to be adopted by each Department 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 state of Washington Office of Financial Management's *State Administrative and Accounting Manual* addresses basic principles of internal control in Section 20.20.20.a. as follows:

Each agency director is responsible for establishing and maintaining an effective system of internal control throughout the agency.

The U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, Attachment A, Section C(1)(d), provides that costs are allowable under federal awards if they meet the following criteria:

Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

Title 42, Code of Federal Regulations, Section 435.916(b), states in part:

. . . The agency must have procedures designed to ensure that recipients make timely and accurate reports of any change in circumstances that may affect their eligibility.

As it pertains to requesting information for the determination of eligibility, Title 42, Code of Federal Regulation, Section 435.948, states in part:

(a) . . . the agency must request information from the sources specified in this paragraph for verifying Medicaid eligibility and the correct amount of medical assistance payments for each applicant (unless obviously ineligible on the face of his or her application) and recipient. The agency must request -

State wage information maintained by the SWICA (State Wage Information Collection Agency) during the application period and at least on a quarterly basis. Information about net earnings from self-employment, wage and payment of retirement income, maintained by SSA and available under Section 6103(1)(7)(A) of the Internal Revenue Code of 1954 for applicants during the application period and for recipients for whom the information has not previously been requested.

Information about benefit and other eligibility related information available from SSA under Titles II and XVI of the Social Security Act for applicants during the application period and for recipients for whom the information has not previously been requested;

Unearned income information from the Internal Revenue Service available under Section 6103(1)(7)(B) of the Internal Revenue Code of 1954, during the application period and at least yearly;

Unemployment compensation information maintained by the agency administering State unemployment compensation laws (under the provisions of section 3304 of the Internal Revenue Code and section 303 of the Act) as follows:

For an applicant, during the application period and at least for each of the three subsequent months;

For a recipient that reports a loss of employment, at the time the recipient reports that loss and for at least each of the three subsequent months.

For an applicant or a recipient who is found to be receiving unemployment compensation benefits, at least for each month until the benefits are reported to be exhausted.

Any additional income, resource or eligibility information relevant to determinations concerning eligibility or correct amount of medical assistance payments available from agencies in the State or other States administering the following programs as provided in the agency's State plan:

AFDC;  
Medicaid;  
State-administered supplementary payment programs under Section 1616(a) of the Act;

SWICA;  
Unemployment compensation;

Food stamps; and Any State program administered under a plan approved under Title I (assistance to the aged), X (aid to the blind), XIV (aid to the permanently and totally disabled), or XVI (aid to the aged, blind, and disabled in Puerto Rico, Guam, and the Virgin Islands) of the Act.

(b) The agency must request information on applicants from the sources listed in paragraph (a)(1) through (a)(5) of this section at the first opportunity provided by these sources following the receipt of the application. If an applicant cannot provide an SSN at application, the agency must request the information at the next available opportunity after receiving the SSN.

(c) The agency must request the information required in paragraph of this section by SSN, using each SSN furnished by the individual or received through verification

(d) Exception: In cases where the individual is institutionalized, the agency needs to obtain and use information from SWICA only during the application period and on a yearly basis, and from unemployment compensation agencies only during the application period . . .

(e) Exception: Alternate sources.

(1) The Secretary may, upon application from a State agency, permit an agency to request and use income information from a source or sources alternative to those listed in paragraph (a) of this section. The agency must demonstrate to the Secretary that the alternative source(s) is as timely, complete and useful for verifying eligibility and benefit amounts. The Secretary will consult with the Secretary of Agriculture and the Secretary of Labor before determining whether an agency may use an alternate source.

(2) The agency must continue to meet the requirements of this section unless the Secretary has approved the request.

(f) Exception: If . . . SSA determines the eligibility of an applicant or recipient, the requirements of this section do not apply to that applicant or recipient.

The March 2003, U.S. Office of Management and Budget A-133 Compliance Supplement, Section E(1)(b)(2), pages 4-93.778-12 and 4-93.778-13, states the following as it pertains to income verifications for eligibility determination:

There are specific requirements that must be followed to ensure that individuals meet the financial and categorical requirements for Medicaid. These include that the state or its designee shall:

(2) Use the income and eligibility verification system (IVES) to verify eligibility using wage information available from such sources as the agencies administering State unemployment compensation laws, Social Security Administration, and the Internal Revenue Service to verify income eligibility and the amount of eligible benefits. With approval from HHS, States may use alternative sources for income information. States may also: (1) target the items of information for each data source that are most likely; to be most productive in identifying and preventing ineligibility and incorrect payments, and a State is not required to use such information to verify the eligibility of all recipients; (2) with reasonable justification, may exclude categories of information when follow-up is not cost effective; and

(3) can exclude unemployment compensation information from the Internal Revenue Service or earning information from Social Security Administration (SSA) that duplicates information received from another source.

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

The auditee shall:

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

The 2005 A-133 compliance supplement sets forth the following with respect to eligibility for individuals for the Medicaid program:

- a. The State Medicaid agency or its designee is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan (42 CFR section 431.10).
- b. There are specific requirements that must be followed to ensure that individuals meet the financial and categorical requirements for Medicaid. These include that the State or its designee shall:
  - (1) Require a written application signed under penalty of perjury and include in each applicant's case records facts to support the agency's decision on the application (42 USC 1320b-7(d); 42 CFR sections 435.907 and 435.913).
  - (2) Use the income and eligibility verification system (IEVS) to verify eligibility using wage information available from such sources as the agencies administering State unemployment compensation laws, Social Security Administration (SSA), and the Internal Revenue Service to verify income

eligibility and the amount of eligible benefits. With approval from HHS, States may use alternative sources for income information. States also: (a) may target the items of information for each data source that are most likely to be most productive in identifying and preventing ineligibility and incorrect payments, and a State is not required to use such information to verify the eligibility of all recipients; (b) with reasonable justification, may exclude categories of information when follow-up is not cost effective; and (c) can exclude unemployment compensation information from the Internal Revenue Service or earnings information from SSA that duplicates information received from another source (42 USC 1320b-7(a); 42 CFR sections 435.948(e) and 435.953).

- (3) Require, as a condition of eligibility, that each individual (including children) requesting Medicaid services furnish his or her social security account numbers (SSN) and the

State shall utilize the SSN in the administration of the program. The State shall not deny or delay services to an otherwise eligible applicant pending issuance or verification of the individual's SSN by SSA. If the applicant cannot recall the SSN or has not been issued a SSN, the agency must assist the applicant in completing an application for an SSN and either send the application to SSA or, if there is evidence that the applicant has been previously issued a SSN, request SSA to furnish the number. A State may give a Medicaid identification number to an applicant who, because of well-established religious objections, refuses to obtain a SSN. In redetermining eligibility, if the case record does not contain the required SSN, the agency must require the recipient to furnish the SSN (42 CFR section 435.920(b)) (42 USC 1320b-7(a)(1); 42 CFR sections 435.910 and 920).

- (4) Verify each SSN of each applicant and recipient with SSA to insure that each SSN furnished was issued to that individual and to determine whether any others were issued (42 CFR sections 435.910(g) and 42 CFR 435.920).
- (5) Document qualified alien status if the applicant or recipient is not a U.S. citizen (42 USC 1320b-7d).
- (6) Redetermine the eligibility of Medicaid recipients with respect to circumstances that may change (e.g., income eligibility), at least every 12 months. The agency may consider blindness and disability as continuing until the review physician or review team determines that the recipient's blindness or disability no longer meets the definition contained in the plan. There must be procedures designed to ensure that recipients make timely and accurate reports of any changes in circumstances that may affect their eligibility. The State must promptly redetermine eligibility when it receives information about changes in a recipient's circumstances that may affect his or her eligibility (42 CFR section 435.916).

- c. Qualified aliens, as defined at 8 USC 1641, who entered the United States on or after August 22, 1996, are not eligible for Medicaid for a period of five years, beginning on the date the alien became a qualified alien, unless the alien is exempt from this five-year bar under the terms of 8 USC 1613. State must provide Medicaid to certain qualified aliens in accordance with the terms of 8 USC 1612(b)(2), provided that they meet all other eligibility requirements. States may provide Medicaid to all other otherwise eligible qualified aliens who are not barred from coverage under 8 USC 1613 (the five-year bar). All aliens who otherwise meet the Medicaid eligibility requirements are eligible for treatment of an emergency medical condition under Medicaid, as defined in 8 USC 1611(b)(1)(A), regardless of immigration status or date of entry.

**05-11 The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), does not have procedures to determine whether expenditures for anabolic steroids are allowable under the Medicaid program.**

**Background**

Anabolic steroids are synthetic forms of the male hormone testosterone that can be taken orally, injected or rubbed onto the skin. Under federal law, they cannot be sold without a prescription. They are used to treat conditions associated with body wasting such as in acquired immunodeficiency syndrome, low testosterone levels or in other conditions such as delayed puberty. When used in combination with exercise, training and a high protein diet, anabolic steroids can improve endurance and promote increased muscle size and strength. Because of these effects, they sometimes are used illegally as performance-enhancing drugs to improve competitiveness or appearance.

In 1990, Congress passed the Anabolic Steroids Control Act, adding anabolic steroids to the federal schedule of controlled substances. The Act placed anabolic steroids on Schedule III of the Controlled Substance Act and specifically identified 27 anabolic steroids. The Anabolic Steroid Control Act of 2004 added additional anabolic steroids to Schedule III of the Controlled Substance Act.

The Controlled Substance Act places all regulated substances into one of five schedules. Placement is based on the substance's medicinal value, harmfulness and potential for abuse or addiction. Schedule I is reserved for the most dangerous drugs that have no recognized medical use, while Schedule V is the classification used for the least dangerous drugs. The Act also provides a mechanism for substances to be controlled, added to a schedule, removed from control or transferred from one schedule to another.

Somatropin is a Schedule III anabolic steroid. Somatropin is a synthetic version of human growth hormone and found under a variety of brand names: Nutropin AQ, Nutropin, Genotropin, Humatrope, Norditropin, Saizen and Nutropin Depot. Growth hormone is naturally produced by the pituitary gland and is necessary to stimulate growth in children. Synthetic growth hormone may be used in children who have certain conditions that prevent them from growing. Growth hormone also is used in adults to treat pituitary gland disorders and weight loss caused by AIDS.

**Description of Condition**

For our current audit, we chose to test one anabolic steroid to determine if the Health and Recovery Services Administration had controls to ensure expenditures paid with federal Medicaid funds for Somatropin and its brand name equivalent were consistent with U.S. Food and Drug Administration (FDA)-approved uses. We also attempted to determine if the Administration had controls to prevent or detect expenditures for off-label uses; that is, prescriptions written for a disease, or at a dose or for a patient type that is different from what the FDA has approved.

For the audit period, the Administration's expenditures for Somatropin totaled \$3,170,284. Forty-four providers submitted claims for Somatropin or its brand name equivalent on behalf of 275 clients. We selected 19 providers that received the largest reimbursements for claims relating to this drug (43 percent of the provider population). We then selected all clients with billings for Somatropin for each provider. We examined the transactions for 236 clients (86 percent of the population) and \$2,937,415 (93 percent of the total expenditures).

For each client, we examined the diagnosis and drug dosage associated with each transaction, as well as the age of the client and the frequency that the expenditure occurred. We compared this data with the indications for use, the recommended dosage for the age and the recommended frequency of administration with FDA-approved information found in the Physician's Desk Reference. We found 6 percent of the expenditures had no diagnosis associated with the transaction or a diagnosis inconsistent with the approved drug use.

We also found large discrepancies in pricing for the same drug at the same dosage and even for the same provider. An example of some of the price variances we found in the Department's records for this drug is indicated below:

<u>Drug Name</u>	<u>Dosage</u>	<u>Low</u>	<u>High</u>
GENOTROPIN	15 UNIT	\$ 258.53 per dose	\$1,710.02 per dose
GENOTROPIN	36 UNIT	\$1,629.50 per dose	\$5,397.32 per dose
HUMATROPE	5MG	\$ 149.10 per dose	\$2,257.87 per dose
HUMATROPE	18 UNIT	\$ 55.56 per dose	\$1,368.38 per dose
HUMATROPE	36 UNIT	\$ 49.60 per dose	\$1,731.20 per dose
HUMATROPE	72 UNIT	\$2,266.86 per dose	\$5,520.89 per dose
NORDITROPIN	15MG	\$ 686.65 per dose	\$3,170.53 per dose
NUTROPIN	10MG	\$ 168.26 per dose	\$5,916.51 per dose
NUTROPIN	5MG	\$ 459.73 per dose	\$1,824.13 per dose
NUTROPIN AQ	10MG/2ML	\$ 25.00 per dose	\$2,787.05 per dose
SAIZEN	5MG	\$ 727.60 per dose	\$3,526.56 per dose
SEROSTIM	6MG	\$ 52.45 per dose	\$6,072.41 per dose
NUTROPIN DEPOT	18MG	\$ 103.10 per dose	\$1,564.26 per dose
SAIZEN	8.8MG	\$1,443.56 per dose	\$5,158.32 per dose
SEROSTIM	5MG	\$ 47.79 per dose	\$5,061.31 per dose

### **Cause of Condition**

The Administration has no controls to determine allowability of expenditures related to anabolic steroids. No safeguards are programmed into its computer systems to determine whether diagnosis, dosage or client age is consistent with FDA-approved uses before the claim is paid.

With respect to the wide discrepancies in pricing found on claims for Somatropin, the Administration reported that pricing was based on pharmaceutical industry pricing and it had no control over these costs.

### **Effect of Condition**

\$269,610 of the expenditures tested for Somatropin did not conform to the criteria deemed necessary to be considered allowable expenditures under Medicaid program and thus are questioned costs. \$134,805 was paid for with federal funds.

### **Recommendation**

We recommend the Department:

- Develop procedures to ensure that federal funds used to pay expenditures for anabolic steroids are allowable.
- Work with the U.S. Department of Health and Human Services to determine if any costs charged to Medicaid federal funds must be reimbursed.

### **Department's Response**

*The Department disagrees with this finding. The Health and Recovery Services Administration's Point of Sale (POS) system has hard edits in place on all anabolic steroids, which means that prior authorization is required for all reimbursements on the products. Each request for the drug is reviewed by a team of clinicians before being approved. This has been the case since the drugs came on the market. A summary of the Prior Authorization requirements and clinical review guidelines for the anabolic products is available from the Administration.*

*The Department was not provided with details on the exceptions in this finding; in fact no discussion occurred on this finding. If specific claim numbers or client identifiers are provided to us, the Department will examine each closely to determine if the Department has a weakness in our system that needs to be corrected or if the Department has a provider that needs to be investigated.*

- 1) *The audit finding indicates that \$2,937,415 or 93% of total expenditures for Somatropin were examined and that 6 percent of the expenditures had no diagnosis associated with the transaction or a diagnosis inconsistent with the approved drug use.*

*The Effect of Condition then states that \$269,610.00 of the expenditures tested for Somatropin did not conform to necessary criteria. This figure significantly exceeds 6 percent of examined expenditures or total expenditures for the drugs examined. This appears inconsistent and further explanation of the finding may be required.*

- 2) *The audit finding states that large discrepancies were found in pricing for the same drug at the same dosage and for the same provider. However, the numbers in the finding are displayed by drug name only. This suggests that claim reimbursements were looked at without regard to strengths, forms and dosages of the drug. If one rolls up all the expenses for a drug and then attempts to compare prices per claim or dosage units, there is a complete confusion of amounts, strengths, package sizes, doses and units, syringes vs. capsules, creams etc..*

*Since our POS system operates using algorithms which pay consistently, the auditor's concern may be the result of this confusion of different product types and packaging quantities. We would welcome the opportunity to review the specific claims at issue.*

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

Our records indicate that, in a meeting on December 22, 2005, the results of testing exceptions and summary report were provided to the Chief Administrative Officer. The Department was asked to respond to the exceptions by January 6, 2006. We did not receive a response to our exceptions.

The Effect of Condition in our finding only states the dollar amount of the exceptions and that the expenditures did not conform to the criteria deemed necessary to be considered allowable under the Medicaid program. Our finding is accurate in that 6 percent did represent the transactions that had no diagnosis provided or a diagnosis inconsistent with the indications for drug use. Another 3 percent were not specifically mentioned because these were clients that had no Social Security numbers and this issue was addressed in another portion of our audit. However, in order to be considered eligible for Medicaid, a client must have a valid Social Security number. We are required to report all transactions that are unallowable that we find during our testing even if it is not part of our original scope. The Department did not ask for an explanation of the percentages that they considered discrepancies when the exceptions were presented to them.

The Department is assuming that the test results were evaluated without regard to strength, form and dosage of the drug. This is not accurate. In fact, when we performed our testing, we took into consideration not only the strength, form and dosage but also whether the drug expenditure was for a generic or its brand name counterpart. We also considered frequency of administration, mode of administration and the age of the client in our determination of allowability. We reviewed each client individually as well as the form of Somatropin used. For all the expenditures we tested, the mode of administration was an injection. We did not roll up expenditures as the Department suggests and thus there was no confusion on our part as to results of our analysis and the price variances.

We did not test the Point of Sale (POS) or the prior authorization systems that the Department refers to in its response because these systems were not brought to our attention at any time during our audit. Thus, we cannot report on the consistency that the POS system operates and the reliability of the algorithm.

We reaffirm our finding and our recommendation that the Department develop procedures to ensure that federal funds used to pay expenditures for anabolic steroids are allowable.

## Applicable Laws and Regulations

A-133 Compliance Supplement under Part B, Allowable Costs/Cost Principles, states in part:

Compliance Requirements - Allowability of Costs- General Criteria (applicable to both direct and indirect costs)

The general criteria affecting allowability of costs under Federal awards are:

- Reasonable and Necessary - Costs must be reasonable and necessary for the performance and administration of Federal awards.
- Allocable - Costs must be allocable to the Federal awards under the provisions of the cost principles or CASB Standards, as applicable. A cost is allocable to a particular cost objective (e.g., a specific function, program, project, department or the like) if the goods or services involved are charged or assigned to such cost objective in accordance with relative benefits received.

### Internal Control

Consistent with the requirements of OMB Circular A-133, this Part includes generic audit objectives and suggested audit procedures to test internal control. However, the auditor must determine the specific procedures to test internal control on a case-by-case basis considering factors such as the non-Federal entity's internal control, the compliance requirements, the audit objectives for compliance, the auditor's assessment of control risk, and the audit requirement to test internal control as prescribed in OMB Circular A-133.

### Improper Payments

Under OMB budgetary guidance and Pub. L. 107-300, Federal agencies are required to review Federal awards and, as applicable, provide an estimate of improper payments. Improper payments mean:

1. 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 includes any payment to an ineligible recipient; and
2. Any payment for an ineligible service, any duplicate payment, any payment for services not received, and any payment that does not account for credit for applicable discounts.

Auditors should be alert to improper payments, particularly when testing A, "Activities Allowed or Unallowed;" B, "Allowable Costs/Cost Principles;" E, "Eligibility;" and, in some cases N, "Special Tests and Provisions."

**05-12 The Department of Social and Health Services is not adequately reviewing pharmaceutical claims to identify patterns of fraud and abuse.**

**Background**

Federal regulations require that states perform a retrospective drug use review in order to identify patterns of fraud, abuse, gross overuse and inappropriate or medically unnecessary care among physicians, pharmacists and Medicaid recipients. Among other things, this examination must involve analysis of physician prescribing practices, drug use by individual patients and dispensing practices of pharmacies. This review must be accomplished through the Medicaid Management Information System (MMIS) through analysis of predetermined standards.

A primary purpose of this requirement is to prevent payment for falsified pharmaceutical claims. In an effort to comply, the Department has set up a series of ten mandatory fields that must be completed on the claim by the provider. These fields are as follows:

1. Patient identification
2. Pharmacy number
3. Sale date
4. Date prescription was written
5. Quantity
6. Number of days supply
7. Amount charged
8. Prescription number
9. Drug name
10. Prescriber number

When claims are processed in the Department's computer system, the information contained in these fields is compared to predetermined standards. If the information is validated, the claim is processed and the provider is paid.

**Description of Condition**

During our audit, we found that the Department could not validate one of the required fields in its control system. The field requiring a prescriber number must be completed with the identification number of the practitioner prescribing the medication. The Department stated that this is to prevent payment for claims submitted for prescriptions by providers who are not authorized to write them. We found that, since February 2002, the Department has allowed two options for the prescriber number field.

- A pharmacy may use the Medicaid provider number assigned to a prescriber by the Health and Recovery Services Administration (formerly Medical Assistance Administration). This option can only be used if the prescriber has applied for this provider number. While many practitioners are Medicaid providers, this information would have to be known to the pharmacy filling the prescription. Our audit found this option was not often used by pharmacies when completing claims.
- A pharmacy may apply to use the prescriber's Drug Enforcement Authority (DEA) number. Although not illegal, DEA strongly discourages the use of this number for any purpose other than certifying that a practitioner is registered to prescribe certain controlled substances. We found, however, that a DEA number is most often used to complete this field.

While the Department is able to verify the Administration's provider numbers by checking them against their master file, it does not verify the validity of the DEA numbers. For our audit, we wanted to determine the effects of this control weakness. We examined 13 pharmacies with a total of \$64,378,393 in expenditures. Although we found results varied greatly between pharmacies, we found claims with errors in the prescriber number field were processed and paid. We found claims with the following errors:

- Invalid DEA numbers: \$2,231,626

- No DEA number in the required field \$38,370
- Expired DEA numbers \$82,693
- Veterinarians DEA numbers \$561
- Out of State DEA numbers \$163,435

This last category represents providers who were registered in DEA's files as being practitioners in other states with some as far away as Maryland and Florida. When we were able, we contacted the practitioner and found most had never practiced in Washington or even knew the client for whom the prescription was written. Some of the providers were not licensed and/or known in their state's registries.

The Department has reported that several DEA numbers have been programmed into its system as not being valid. However, we have no evidence that this action halts a payment to a claim.

**Cause of Condition**

- The Department stated that the payments are being made to the pharmacy and so the authenticity prescriber is not relevant to the claim.
- The Department does not have controls in place to prevent pharmacy providers from submitting claims with invalid, expired or retired DEA numbers or to detect providers that are using invalid, expired or retired DEA numbers in their claims submission.
- The Department is not conducting a retrospective drug use review of claims data or other records to identify possible fraud and abuse by pharmacy providers who use DEA numbers in the prescriber number field.

**Effect of Condition**

The federally required review of claims data and other records to ensure the validity of pharmaceutical claims is not being performed. If the prescribing provider number is not verified to be present and valid, controls over pharmaceutical claims are weakened and cannot prevent or deter the unauthorized use of prescription medications. From January 1, 2004 through December 31, 2004, the state made payments of \$2,516,685 to 13 providers that either did not enter a number in the required field or entered DEA numbers that were invalid, expired or for out of state providers. We consider these questioned costs. Of this amount, \$1,258,343 (50 percent) was paid with federal funds. The other 50 percent was paid with state funds.

**Recommendation**

We recommend the Department:

- Validate all information required to be submitted on pharmaceutical claims.
- Perform retrospective drug use review of the prescriber number field to identify possible fraud and abuse by pharmacy providers.
- Work with the U.S. Department of Health and Human Services to determine if any costs paid for with federal Medicaid funds must be reimbursed as a result of this noncompliance.

**Department's Response**

*The Department concurs that the Pharmacy Point of Sale (POS) System has been lacking in sufficient controls to check the validity of DEA numbers included with pharmacy claim submissions. Due to system limitations, the*

*Department has relied on a manual process for managing DEA number exceptions, manually blocking those numbers that have been identified as invalid.*

*The statement that the authenticity of the prescriber is not relevant to the claim is not an official Department position. The Department has been working diligently over the last year to resolve issues related to the inability to automate the validation of the DEA number at the time of claims adjudication. The following actions have been taken:*

- 1. Due to system limitations, the Department implemented a manual process for managing identified DEA number exceptions, manually blocking those numbers that have been identified as invalid. The list of invalid DEA numbers manually entered into POS numbers approximately 60 to date.*
- 2. Post payment review of invalid DEA numbers has been added to the regular Department Payment Review Program (PRP) algorithm process. PRP ran an algorithm that uses the federal DEA database to identify invalid DEA numbers and has issued overpayment totaling \$769,000 to 219 pharmacies state-wide. A current algorithm has identified an additional \$20,101 in overpayments, which will be sent out in February 2006.*
- 3. The POS vendor has loaded DEA numbers from the national DEA database and the Department has completed a change service request that will utilize this data to validate against the full DEA national database at the time of adjudication. The Department expects to implement this into the POS by April 2006, thus eliminating the need for the Department to rely on a manual process.*

*The Department disagrees with the statement that it is not conducting a retrospective drugs use review of claims data. The Department has a rigorous and extensive Drug Use Review Program and is in full compliance with Sec. 456.709. The Department conducts retrospective review of pharmacy claims and has direct contact with prescribers regarding approximately 1,000 Medicaid clients each month. In addition, Washington Medicaid sends out two clinical pharmacists each month to visit face-to-face with at least 120 prescribers. The clinical pharmacists have lists of clients seen by each of the 120 prescribers and the purpose of the visit is to verify that the prescriber did write the prescription and to try to modify any undesirable prescribing behavior that has been targeted in that month's review. A summary of Drug Utilization Reviews conducted by Washington Medicaid for Federal Fiscal Year 2005 is available from the Department of Social and Health Services.*

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

We have carefully reviewed the Department's response and reaffirm our finding. The retrospective drug use review program must be accomplished through analysis of information submitted through the Medicaid Management Information System. Information in required fields on claim forms must be validated in order for claims to be authenticated and processed for payment. The Department was not able to validate information in a required control field for pharmaceutical claims payment. Additionally, staff was unaware of the importance of validating this information.

The Department did not bring the summary of its Drug Utilization Reviews for fiscal year 2005 to our attention until it submitted this response. We did not independently review this information because it was submitted to us after our field work was complete.

We will assess the corrective actions reported by the Department during our next audit.

### **Applicable Laws and Regulations**

Sec. 456.709, Retrospective drug use review, states:

- (a) General. The State plan must provide for a retrospective DUR program for ongoing periodic examination (no less frequently than quarterly) of claims data and other records in order to identify patterns of fraud, abuse, gross overuse, or inappropriate or medically unnecessary care among physicians, pharmacists, and Medicaid recipients, or associated with specific drugs or groups of drugs. This examination must involve pattern analysis, using predetermined standards,

of physician prescribing practices, drug use by individual patients and, where appropriate, dispensing practices of pharmacies. This program must be provided through the State's mechanized drug claims processing and information retrieval systems approved by CMS (that is, the Medicaid Management Information System (MMIS)) or an electronic drug claims processing system that is integrated with MMIS. States that do not have MMIS systems may use existing systems provided that the results of the examination of drug claims as described in this section are integrated within their existing system.

(b) Use of predetermined standards. Retrospective DUR includes, but is not limited to, using predetermined standards to monitor for the following:

- (1) Therapeutic appropriateness, that is, drug prescribing and dispensing that is in conformity with the predetermined standards.
- (2) Overutilization and underutilization, as defined in Sec. 456.702.
- (3) Appropriate use of generic products, that is, use of such products in conformity with State product selection laws.
- (4) Therapeutic duplication as described in Sec. 456.705(b) (1).
- (5) Drug-disease contraindication as described in Sec. 456.705(b) (2).
- (6) Drug-drug interaction as described in Sec. 456.705(b) (3).
- (7) Incorrect drug dosage as described in Sec. 456.705(b) (4).
- (8) Incorrect duration of drug treatment as described in Sec. 456.705(b) (5).
- (9) Clinical abuse or misuse as described in Sec. 456.705(b) (7).

**05-13      The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), is not in compliance with the federal Medicaid requirements for reporting adult victims of residential abuse to the Medicaid Fraud Control Unit.**

**Background**

As a condition for receiving Medicaid funds, a state must establish and operate a State Medicaid Fraud Control Unit. The Fraud Unit must be separate and distinct from the agency administering Medicaid. In Washington, Medicaid is administered by the Department of Social and Health Services, while the Medicaid Fraud Control Unit is administered by the Office of the State Attorney General.

The purpose of the Fraud Unit is to investigate and prosecute Medicaid fraud. Federal regulations also require the Fraud Unit to review allegations of patient abuse in health care facilities that receive Medicaid payments. Residential abuse includes neglect and financial exploitation of those in residential care.

The Attorney General's Office and the Department have an agreement requiring the Department to notify the Fraud Unit of all allegations of residential abuse. The agreement stipulates that the Department's Aging and Disability Services Administration shall immediately report such allegations to the Fraud Unit. To accomplish this, other administrations within the Department must report allegations of residential abuse within their administrations to Aging and Disability Services in a timely manner.

**Description of Condition**

During our audit in 2004, we found two divisions within the Health and Rehabilitative Services Administration (then known as Medical Assistance Administration) were not complying with the residential abuse reporting requirements. The Division of Alcohol and Substance Abuse and the Mental Health Division's Western State and Eastern State Hospitals were not reporting allegations of residential abuse of vulnerable adults in their care to either Aging and Disability Services or the Medicaid Fraud Control Unit. The Mental Health Division and the Division of Alcohol and Substance Abuse had procedures to investigate residential abuse, but the employees who oversaw those activities were not independent of the division receiving Medicaid funds as required by law.

In our audit of 2005, we found that Eastern and Western State Hospitals, the Mental Health Division Headquarters and the Department of Alcohol and Substance Abuse now include a procedure in their policies to report allegations of abuse and neglect to the Fraud Unit. In most cases, however, the procedures were not in effect during the audit period.

We expanded our review to Aging and Disability Services Administration's Intermediate Care Facilities for the Developmentally Disabled. Here we found that substantiated cases of abuse and neglect of vulnerable adults were not being reported to the Fraud Unit. Federal law requires the Department to conduct a preliminary investigation to determine whether there is sufficient basis to warrant a full investigation for any complaint of fraud or abuse that it receives. If the findings of the preliminary investigation give the agency reason to believe that an incident of fraud or abuse has occurred in the Medicaid program, the agency must refer the case to the State Medicaid Fraud Control Unit. The Fraud Unit will then review these complaints and determine a course of action. Options include further investigation of the complaint, referring the complaint to outside law enforcement authorities or referring the complaint to an appropriate state agency if the potential for criminal prosecution is low.

We reviewed files for 58 cases of alleged abuse and neglect reported to the Department's Complaint Resolution Unit. Of these, one resulted in a written citation by the Department and nine others were referred to law enforcement agencies for further investigation. Only one was referred to the Medicaid Fraud Control Unit.

We also attempted to determine if the Department had taken appropriate action on cases referred to it by the Medicaid Fraud Control Unit. In 2004, the State Auditor's Office received a citizen's complaint alleging that two individuals with disqualifying convictions were employed in facilities where they had unsupervised access to children and vulnerable adults. One individual allegedly had a military conviction for having carnal knowledge of a child and the other was reportedly a convicted murderer and rapist. These cases were referred to the Medicaid Fraud

Control Unit by the State Auditor's Office. When we contacted the Fraud Unit this year to determine the outcome of these cases, we found they had been referred to the Department for background checks. We contacted the Department's Background Criminal Check Unit to determine whether these cases were investigated. We found evidence that background checks on these individuals had been performed by either the Fraud Unit or the Department. However, we found that the checks were incomplete in that only the state database was checked. Military convictions and convictions in other states would not be revealed by checking only state records. We also found that both individuals remain employed in positions where they have access to vulnerable adults and children. Although the contractor indicated that these individuals were working with vulnerable children and adults, we were unable to determine if the access is unsupervised.

**Cause of Condition**

- Eastern and Western State Hospitals and the Department of Alcohol and Substance Abuse did not have procedures in place during the audit period requiring them to refer allegations of abuse and neglect to the Medicaid Fraud Control Unit.
- Aging and Disability Services Administration does not consistently follow policies and procedures requiring them to refer allegations of abuse and neglect to the Medicaid Fraud Control Unit.
- The Department does not have procedures to ensure that adequate background checks are performed.

**Effect of Condition**

The Department is not in compliance with federal requirements. Because the Medicaid Fraud Control Unit is not aware of all allegations of residential abuse of Medicaid patients, it is unable to perform its required investigatory role in all cases.

The Department, in not performing background checks on cases reported to it, potentially exposes vulnerable adults to long-term exploitation, abuse and neglect.

These conditions could pose a financial liability to the state. Additionally, the Department's noncompliance with federal reporting requirements could jeopardize future federal funding.

**Recommendation**

We recommend the Department:

- Ensure all administrations, serving vulnerable adults in residential care facilities receiving Medicaid funds, have policies and procedures for investigating and reporting allegations of abuse and neglect of its clients.
- Ensure policies reflect the reporting process stipulated in the agreement with the Attorney General's Office and required by federal law.
- Monitor administrations to ensure procedures are being followed.
- Establish and follow policies requiring Department staff to follow up on cases referred to them by the Medicaid Fraud Control Unit.

## **Department's Response**

*The Division of Alcohol and Substance Abuse, Mental Health Division Headquarters (HQ) and Eastern and Western State Hospitals now include procedures and policies to report allegations of abuse and neglect to the Medicaid Fraud Control Unit (MFCU) in accordance with federal law. In conjunction with this response copies of those policies have been provided to the State Auditor's Office. The MHD Compliance Officer currently review 100% of incident and daily reports submitted to the division from the hospitals. These divisions are now in compliance with federal requirements therefore eliminating any liability to the state.*

*The Department is currently updating the Memorandum of Understanding in conjunction with the Medicaid Fraud Control Unit.*

*Aging and Disability Services Administration (ADSA) has policies and procedures in place for Intermediate Care Facilities for the Mentally Retarded (ICF/MR) to report all alleged or suspected abuse, neglect, exploitation, financial exploitation, or abandonment to Residential Care Services (RCS). These abuse and neglect reporting policies are consistent with mandatory reporting laws RCW 74.34 and RCW 26.44 and apply to all ICF/MRs. RCS, in turn, has a long-standing Memorandum of Understanding (MOU) with the Medicaid Fraud Unit (MFCU). In compliance with the terms of the MOU, RCS refers all complaint intake allegations to MFCU where it appears that criminal activity has occurred in a Medicaid certified long-term care facility, including ICF/MRs. This referral is made at the time of intake, and prior to RCS investigative activities. If, during the course of any RCS complaint investigation activity a named perpetrator is identified, the name is referred to MFCU through the Complaint Resolution Unit.*

*The Division of Alcohol and Substance Abuse (DASA) did follow up on the one individual identified as having a criminal history by the Office of the Attorney General's Medicaid Fraud Control Unit. The division determined the individual, an employee of a DASA contractor, could not have unsupervised access to youth because of their criminal history. DASA met with their contractor and the employee was terminated from the position. On receipt of this finding the department reconfirmed with the contractor that the individual is not employed in a position funded through DASA. The department is not in a position to direct contractor's employment decisions for areas of operation and service delivery funded by non-DSHS entities. It remains unclear as to whether or not a fingerprint-based national background check of FBI records would have identified military convictions. The department will explore the military's practice of recording and tracking military convictions to determine the feasibility of incorporating a review of those convictions in the department's background check process. The department will also identify this as an area of concern for review by the legislatively authorized Background Check Task Force.*

## **Auditor's Concluding Remarks**

The Department has provided us with representations regarding reporting procedures with its response that were not available to us during our audit. Thus, we have no opinion on these or the Department's compliance with federal regulations. We will review this area in a future audit.

After we completed our audit, the Department provided to us additional information regarding the two individuals identified as having criminal histories. The Department provided us with no supporting documentation. However, we opened this area up to additional testing and we found that both individuals were still employed with the contractor during the period that we tested. Additionally, the contractor is a Medicaid provider. Thus, the Department has the ability to require, in its Core Provider Agreement, compliance with state law regarding background checks.

We reaffirm our finding and recommendations.

### **Applicable Laws and Regulations**

Title 42 of the Code of Federal Regulations, Section 1007.11, stipulates the residential abuse responsibilities of the Fraud Unit, stating in part:

The unit will also review complaints alleging abuse or neglect of patients in health care facilities receiving payments under the State Medicaid plan and may review complaints of the misappropriation of patient's private funds in such facilities.

Section IV of the Memorandum of Understanding between the Department and the Attorney General's Office, Medicaid Fraud Control Unit (MFCU), executed in March 2000, states in part:

The Department operating through AASA (Auditor's note: now Aging and Disability Services Administration) immediately shall make available to the MFCU allegations of resident abuse, neglect, and financial exploitation in residential care facilities receiving Medicaid funds.

**05-14 The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), does not perform adequate reviews of providers of durable medical equipment to ensure the providers exist, are properly licensed and have submitted accurate information.**

**Background**

Durable medical equipment is that which can withstand repeated use, primarily serves a medical purpose for a person with an injury or illness and is appropriate for use in the home. Examples include hospital beds, wheelchairs and oxygen delivery systems.

Providers of this equipment must be approved by the Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration). Providers submit documentation to the Administration to verify they are able to supply certain products. Required documents include business licenses and completed agreements between the Administration and providers. The Administration is responsible for reviewing the information prior to establishing a provider number for an individual or organization. This number, when accompanied by a claim, causes the Administration's system to generate an approval and payment to the provider.

During our audit in 2004, we attempted to determine whether reviews performed by the Administration were adequate to ensure the provider actually was in business prior to assigning a provider number. We found the Administration did not:

- Verify the provider's business phone number and address.
- Verify the validity and status of the business license.
- Provide criteria for the circumstances that constitute a valid business license for in- and out-of-state providers.
- Program its Medicaid Management Information System to notify staff members when business licenses expire. Currently, this function is operative for professional licenses only.

In that audit, we reviewed the records for 80 providers and conducted site visits for 25 providers in Washington and the border states of Idaho and Oregon. For 23 of the latter, we could find no evidence of an actual business or the information we found concerning the business was inconsistent with the Department's records. Specifically:

- Five businesses had ceased operations but the Administration had not terminated their provider numbers.
- Two businesses could not be located.
- Two businesses appeared to be private residences. It was difficult to determine if business was conducted on those premises.
- Three businesses had changed ownership without reporting the changes to the Administration as required by the Core Provider Agreement.
- Three businesses were listed as inactive on the Department of Licensing or Department of Revenue's Web sites. These businesses did have active city licenses.
- Six businesses had changed address and/or phone numbers but had not reported the changes to the Administration.
- Two providers had expired business licenses.

### **Description of Condition**

During our audit this year, we found no new procedures had been implemented to address the internal control weaknesses we identified during audit year 2004. While the Department has increased staff in provider enrollment, new documentation and review procedures were not put in place until after July 1, 2005. We reviewed the proposed policies and procedures and found:

- Business location will be verified by means of a reverse directory check. However, without on-site visits, the Department cannot be sure a business is actually in operation.
- The Administration has not specified what type of business license will be required for verification. According to the Administrator for Master Business Licensing, Department of Licensing, obtaining a city or county license does not necessarily mean that the business is properly licensed within the state.
- The Administration has no policy instructing staff to contact providers regarding their status if no activity has occurred in a number of years.

The Administration was in the process of following up on the questionable providers we identified in our previous audit. Its review resulted in the termination of eight providers and requests for additional information on eight more. No work was performed to program the Administration's computer system to identify expired licenses. The Department does not plan to make changes to its computer system; it plans to purchase a new system in June 2007.

The Department reported it had established new controls that would include "drive-by" reviews for its 412 providers of durable medical equipment. It reported conducting 48 reviews thus far. We will review this during our next audit as it came to our attention after our work was complete.

### **Cause of Condition**

The Department believes its policies are sufficient to ensure adequate provider verification.

### **Effect of Condition**

These weaknesses could allow providers to submit fraudulent requests for payment that would not be detected in a timely manner, if at all. Because of the costs involved with durable medical equipment, such payments could result in significant losses in a relatively short period of time.

### **Recommendation**

We recommend the Administration:

- Follow the new policies and procedures and ensure adequate verification of provider information is performed.
- Monitor providers for compliance with Core Provider Agreements.
- Provide criteria for the circumstances that constitute a valid business license for in- and out-of-state providers.
- Program the Medicaid Management Information System to identify expired business licenses.
- Review all remaining providers to ensure they have met all licensing and certification requirements.

## Department's Response

*The Department partially agrees with this finding, given that many of the improvements that have occurred were not in place during the entire year being audited.*

*The Health and Recovery Services Administration (HRSA) audit staff conducts on-site reviews of Durable Medical Equipment (DME) providers that are referred for audit. These audits are designed to:*

- *Determine if services billed and paid were provided;*
- *Identify provider billing and payment irregularities;*
- *Provide a systematic and uniform method for determining compliance with federal and state regulations;*
- *Provide a mechanism for data gathering to assist in establishing or modifying program policies and procedures.*

*In addition HRSA audit staff maintains a database of all DME providers that they use to schedule "drive-by" reviews to verify the physical location of the DME provider. Prior to traveling to an audit engagement, the auditor reviews the database to determine if there are any DME's within an approximate radius to the audit location. For those DME's within an approximate radius, a drive-by is performed and the auditors update the database with their observations. During FY06, HRSA will extend access to the database to the Division of Fraud Investigations so their investigators can perform drive-by reviews.*

*The auditor recommended the Department provide criteria for the circumstances that constitute a valid business license for in- and out-of-state providers. Provider Enrollment (PE) now validates all business licenses by either getting a current copy of the license, or going on-line to view the current information in the state the vendor is registered. It should be noted that each state has different requirements for business licenses. For example, some states do not require a DME business license. In these cases the Department issues a provider number once this fact is verified.*

*The auditor recommended the Department review all remaining DME providers to ensure they have met all licensing and certification requirements. A project was assigned to check all DME provider files, list what documents are still needed, and contact the providers to obtain those documents. This project was started in October 2005 and the projected completion date is May 1, 2006.*

## Auditor's Concluding Remarks

Except for the corrective action referred to in the finding, we were not made aware of any other improvements to the control structure. We appreciate the steps the Department is taking to resolve this issue. We will review the condition in our next audit.

## Applicable Laws and Regulations

The U.S. Office of Management and Budget Circular A-133 Compliance Supplement states:

In order to receive Medicaid payments, providers of medical services furnishing services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program . . . and the providers must make certain disclosures to the State . . . .

Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, Subpart C, Section .300, states:

The auditee shall:

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

Section 20.20.20.a of the *State Administrative and Accounting Manual* states in part:

Each agency director is responsible for establishing and maintaining an effective system of internal control throughout the agency.

The Core Provider Agreement, paragraph 4 c., states in part:

. . . the Provider agrees to notify the Department of any material and/or substantial changes in information contained on the enrollment application given to the Department by the Provider. This notification must be in writing within thirty (30) days of the event triggering the reporting obligation. Material and/ or substantial changes include, but are not limited to changes in:

- a. Ownership
- b. Licensure
- e. Any change in address or telephone number

WAC 388-502-0010 states in part:

The Department reimburses enrolled providers for covered medical services, equipment and supplies they provide to eligible clients.

(1) To be eligible for enrollment, a provider must:

- (a) Be licensed, certified, accredited or registered according to Washington state laws and rules . . . .

**05-15 The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), has not established sufficient internal controls to prevent Medicaid payments for services provided after a client's death or to prevent payments for services provided to individuals using the Social Security number of a deceased person.**

**Background**

During our 2002 audit, we analyzed the validity of Medicaid clients' Social Security numbers as well as claims that could have been paid after a person had died. During that audit, we sampled 639 Medicaid recipients and found issues related to the validity of the client's Social Security number in 50 percent of the files we reviewed. We found invalid Social Security numbers, Medicaid payments for services rendered after individuals had died and clients who were using a Social Security number assigned to a deceased person. Factors contributing to these conditions included Department staff not heeding or investigating alerts sent by the Social Security Administration, the Department's reliance on family members to voluntarily inform it of a client's death and computer errors that occurred when client data was transmitted between the Department's client eligibility system and the Medicaid Management Information System.

During our 2003 audit, we attempted to determine if the Department had established controls ensuring that only claimants with valid Social Security numbers were enrolled in the program and that people who were deceased were promptly removed from Medicaid eligibility. We found the Department did not have effective procedures that would enable all Community Service Offices to be notified of a client's death in a consistent and timely manner. Additionally, the Department and the Department of Health did not communicate regarding client deaths. We also found internal controls to ensure the validity of Social Security numbers were inconsistent from one Community Service Office to another.

Also during that audit, the Department did not provide us with reliable records in a timely manner. As a result we were unable to determine which unallowable payments were due to inadequate controls. We issued a report stating we could not determine whether payments were valid, and we questioned over \$288 million in costs.

For fiscal year 2004, we again attempted to evaluate internal controls and compliance with federal regulations. However, we encountered several difficulties with obtaining access to information for the audit, as follows:

- The U.S. Social Security Administration would not permit us independent access to the State Online Query (SOLQ), which is a system that can verify Social Security numbers. This forced us to depend on the Department, which did have access, to perform all of our Social Security number verifications. As a result, the Department was aware of the transactions under review. When errors were found, the Department made alterations to the sample data in its computer systems that prevented us from completing our tests as planned. This action invalidated our sample and prohibited us from assessing compliance and reaching a conclusion. We were unable to determine if data originally given to us was faulty or if the current data was faulty.
- In some cases, SOLQ data provided a date of death, but the Administration stated the client was still alive because the Health Department had no death certificate. We were unable to obtain independent access to death certificate information to confirm this statement.

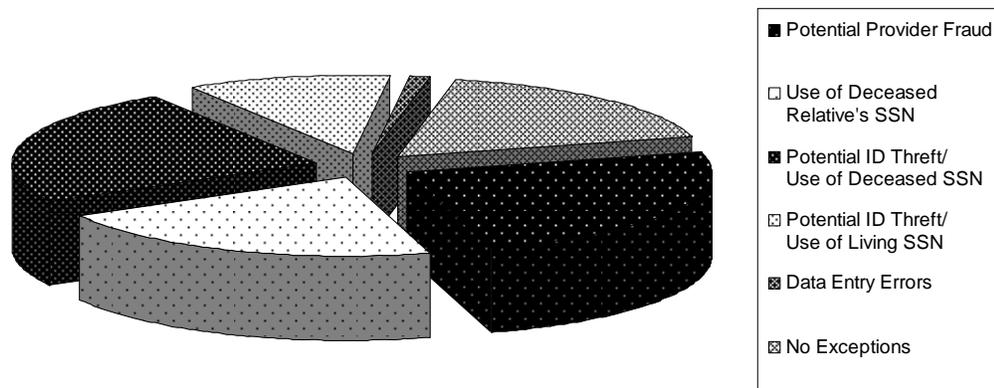
From the tests we were able to perform, we attempted to determine if amounts paid through the Medicaid Management Information System were for services provided after a client's death or services provided to persons using the Social Security number of a deceased person. From a total of 2,632 clients for whom these types of payments appeared to have been made, we obtained a valid sample of 188 clients. We found 158 instances (84 percent of the sample tested) in which a deceased relative's Social Security number was used, apparent identity theft of a deceased person's Social Security number, potential identity theft of a living person's name and Social Security number and potential provider fraud.

The total estimate of actual and projected costs for all of these services combined was \$4,670,432. However, had we been able to obtain the information we needed independently, actual and projected costs may have been higher.

## Description of Condition

During our audit for fiscal year 2005, we again analyzed the validity of Medicaid clients' Social Security numbers as well as claims that could have been paid after a person had died. From the 2,741 clients for whom these types of payments appeared to have been made, we obtained a valid sample of 267 clients. The total dollars of reimbursed claims amounted to \$4,638,186. Of that amount, we reviewed \$3,221,115. We were able to obtain information about the services we selected. From the review we performed, we found 220 (82.4 percent) resulted in questioned costs as follows:

- Potential provider fraud: 66 exceptions (24.7 percent) with actual and estimated projected costs of \$315,585.
- Use of deceased relative's Social Security number: 57 instances (21.3 percent) with estimated actual and projected costs of \$1,534,126.
- Potential identity theft of a deceased, unrelated person's Social Security number: 65 instances (24.3 percent) with estimated projected costs of \$1,254,981. We noted a high risk that the \$716,044 of actual identified costs is the result of fraudulent transactions.
- Data entry error by Department: 29 instances (10.9 percent) with estimated actual and projected costs of \$577,638.
- Potential identity theft of a living person's name and/or Social Security number: three instances (1.1 percent) with actual and estimated projected costs of \$65,447.86.



The testing was performed with the information that was available to us. As in prior years, we had difficulty in obtaining independent access to information for this audit. For instance, the Social Security Administration would not permit our independent access to SOLQ. Because of this condition, we were dependent on the Department of Social and Health Services to perform Social Security number verifications. As a result, the Department had access to our sample selection and all clients that were being tested. However, for the current year, we were able to obtain independent access to death certificate information from the Health Department through the Department of Social and Health Services' systems. This greatly improved audit efficiency.

Our control testing revealed problems seen during previous audits with little or no change in the controls:

- Social Security numbers are not consistently verified prior to admitting clients into the Medicaid program.
- Staff did not heed alerts sent by the Social Security Administration notifying them of potential problems with Social Security numbers entered for processing.

- The Department has no consistent procedures for Community Service Offices to use to determine the deaths of their clients. We saw no evidence of any consistent communications with the Health Department to provide notification of clients' deaths in a timely manner.
- Staff members are able to delete alerts without management's approval and/or knowledge.
- The Department could not provide evidence that the known problems with transfer of some data between Departmental data systems have been corrected.

### **Cause of Condition**

- Department staff at Community Service Offices does not consistently use the system capability to verify the validity of a Social Security number through SOLQ at the time of application.
- While some Community Service Offices have procedures to address alerts informing them of invalid Social Security numbers, the volume of alerts coming in daily precludes correction in a timely manner. The number of alerts would substantially decrease for invalid Social Security numbers if staff would verify them at the time of application.
- The Administration is largely dependent on the provider or family members to report a current client's death.
- No monitoring by supervisory staff to determine whether alerts have been worked.
- Steps had not been taken to ensure staff members understand the new state law (RCW 9.35.020), which took effect July 1, 2004, and which defines identity theft in the first-degree as the use of false identification to obtain anything of value in an aggregate of \$1,500.
- The Department reports that it will address data transfer problems between systems when the new computer arrives in June 2007.

### **Effect of Condition**

Failing to verify Social Security numbers can lead to the enrollment of individuals ineligible for Medicaid. Such practices may cause the Department to violate federal regulations and state law.

The Medicaid program is unnecessarily susceptible to loss or misappropriation because of the Department's inability to identify deceased clients in a timely manner. This is caused by unresolved control weaknesses. Most of these issues have yet to be addressed.

Costs for medical services made on behalf of clients without valid Social Security numbers are not eligible for federal matching funds.

The actual and projected questioned costs related to medical services for deceased persons or persons using the Social Security numbers of persons, both living and deceased, totaled \$3,746,383. One-half, or \$1,873,192, was matched by federal funds.

### **Recommendation**

We recommend the Department develop and follow procedures that:

- Require staff to verify Social Security numbers for all Medicaid clients at initial application through the use of SOLQ.

- Require staff to heed alerts sent by the Social Security Administration.
- Make it impossible for staff to delete alerts without management's approval and/or knowledge.
- Resolve the computer interface issues.
- Establish procedures with the Department of Health that will provide notification of clients' deaths in a timely manner.
- Ensure staff members understand the new state law regarding identity theft.
- Work with the U.S. Department of Health and Human Services to determine if any unallowable costs must be reimbursed.

In addition, we recommend the Administration forward instances of apparent identity theft and provider fraud to its own Post-Payment Review Office or to the appropriate legal authorities.

### **Department's Response**

*The Department concurs with the State Auditor's Office (SAO) recommendations that focus on the improvement of the verification of social security numbers (SSN) at the time of initial application. The Department's Corrective Action Plan for Audit Finding 04-02 included a number of corrective steps that are currently in progress.*

- *A review of the automated SSN verification at the time of Automated Client Eligibility System (ACES) entry was completed on February 4, 2005. In addition, the Department has enhanced procedures, including modification of the interface with the federal database to update nightly, with income and Medicare eligibility updated daily.*
- *The most significant solution for ensuring correct SSNs is the modification to SOLQ. The promotion of this change in (ACES) is expected by April 2006. The SOLQ user interface is being modified to accommodate user's ability to multiple queries without exiting the system.*
- *Staff are currently required to act on SSN discrepancy Alerts sent by the Social Security Administration (SSA). The Department will continue to provide instruction and written guidance to staff regarding the manner in which Alerts are handled.*
- *Management approval for Alert deletion would require extensive system and staffing modifications. Training and upfront SSN verification with SOLQ should assist with the reduction of SSN discrepancy Alerts.*
- *The Department has initiated a cross-administration SSN Quality Improvement Workgroup and will continue to focus attention on increasing the accuracy of SSNs in ACES and the Medicaid Management Information System (MMIS).*

*The Department recognizes that ACES/MMIS Interface problems exist and continues to assess, prioritize and resolve interface issues as they are identified. However, the Department is not aware of any "known problems with the transfer of some data between Departmental data systems" that has not been corrected and disagrees with that specific condition. The Design Phase of the new MMIS is underway and includes a complete assessment of the ACES/MMIS interface. Implementation of the new ProviderOne interface with ACES will be thoroughly tested prior to implementation to assure that data is being transferred accurately.*

*The Department continues to be a stakeholder in a Department of Health (DOH) initiative that will provide on-line access to DOH death data. Although currently being piloted in two counties; statewide implementation is not anticipated for several years. This application will allow a real-time transfer of data from DOH to the Department of Social and Health Services. However, DOH will remain dependent upon counties for receipt of death data, resulting in a lag in receipt of the information. Due to this lag, the Department will continue its successful post-pay review activities and the identification and recoupment of claims paid for deceased clients.*

*The Department partially concurs with the questioned costs as presented. Detailed analysis of the clients reviewed by the SAO resulted in the following:*

- *The Department concurs with the audit finding for some clients where it was verified that the SSN in the DOH Death Certificate Data did belong to the MMIS recipients and the recipients were deceased prior to the date of service on the paid claim. Department analysis verified nine Healthy Options Managed Care clients where the clients' date of death had not been identified prior to premium generation, 13 recipients for whom the Department paid third party insurance premiums after the date of death, and 21 instances where pharmacy and/or durable medical equipment claims were paid after the client's date of death. Upon verification of the date of death, recoupments for these claims were initiated and the following correction actions were taken.*
  - *Effective November 21, 2005, a change was implemented within MMIS that populates the end of eligibility date in the Point of Sale (POS) System with the Date of Death from the MMIS. This results in the immediate denial of claims in the POS when providers submit claims for recipients past the eligibility/death date;*
  - *Analysis identified a gap in the Payment Review Program's Services After Death algorithm logic. This logic has been revised to expand the Department's capability to identify and recover overpayments in the post-payment review process.*
- *The Department disagrees with six clients where the SAO pro-rated the total amount of a claim based on the condition that the end date was after the client's date of death. On some claims, a monthly billing cycle is reflected in the end date on a claim and the Unit field correctly reflected the client's date of death.*
- *The Department disagrees with ten clients where the SSA's SOLQ System and DOH vital statistics data were not in agreement. The Department considers the Washington State DOH Death Certificate to be the authoritative source of death information.*

*Analysis of the remainder of the sample showed 162 instances where the first and last name of the client records did not match the records of the deceased individual. In those cases, the Department verified that the client was not deceased. Rather, the SSN on the MMIS eligibility record and used by the SAO for the identification of deceased individuals was in error and belongs to the deceased spouse or parent of the recipient. Individuals (generally a spouse or disabled child) may receive SSA benefits based on a relative's SSA benefits and may appropriately use that SSN when applying for Medicaid benefits. The Department agrees that the SSN in the MMIS should be the client's SSN rather than the relative and has initiated corrective action to ensure that the client's SSN is correctly captured in ACES and transferred to the MMIS.*

*The Centers for Medicare and Medicaid (CMS) has recently completed a review of Pharmacy Claims Issue 03-10 which was the referral of the 2004 SAO Audit related to Date of Death. The Department agreed with CMS to take the corrective actions noted above to ensure that the recipient's SSN is correct in the MMIS.*

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

We appreciate the steps the Department is taking to focus on some improvements. During our next audit, we will review the Department's progress in these areas.

We continue to have concerns regarding the data interface issues between MMIS and ACES as well as the Department's controls regarding identifying its deceased clients in a timely and consistent manner.

With respect to the latter, the Department of Health has initiated an Electronic Death Registration System that will attempt to automate the reporting of deaths as they occur. As reported by the Department, this program will take years to complete. Until the completion of this project, the Department appears to have no plans to implement additional controls to identify client deaths. Rather, the Department stated it will continue to rely on family to inform it of client deaths and recoup funds paid on behalf of deceased clients through its post-payment review process.

The Department indicated in its response that it believes these controls have been successful. We do not agree. We have reported millions of dollars in payments made on behalf of persons with invalid Social Security numbers or made on behalf of deceased individuals since 2002. Additionally, although the Department is required to have a post-payment review program, such a “pay and chase” system is utilized when the Medicaid agency pays the medical bills and then attempts to recover unallowable payments. States are required to try to “cost avoid” claims that should not be paid in the first place. This is because “pay and chase” is not always successful in recouping funds and more may be spent on recoupment efforts than on what the agency may recover in the recoupment itself.

Concerning the Department’s response to questioned costs, of the 220 exceptions we gave to the Department for review, we received additional documentation for seven. We rescinded five of those exceptions as follows:

- We had pro-rated the total amount of some client’s claims based on the condition that the end date on the claim was after the client’s date of death. The Department provided us with additional documentation for five of these clients and questioned costs, in the amount of \$293.35, were rescinded prior to computation of final questioned costs. Total questioned costs remain at \$3,747,778.
- The State Auditor’s Office is aware that errors are made by the Department of Health and the Social Security Administration. For this reason, documentation from one agency was not deemed to carry more weight. In those instances in which different dates for deaths of clients appeared, we attempted to obtain additional evidence through such sources as obituaries. When we were able to obtain additional reliable evidence, we considered the date of death to be that supported by the most evidence. The Department provided us with additional documentation for two clients it considered to belong to this category:
  1. One client submitted for re-examination had already had the date of death verified through the Department of Health and the Social Security Administration. This information had been available to the Department during its review of our workpapers. No questioned costs were rescinded.
  2. For the other client, we received documentation indicating that the Seattle Regional Office of the Social Security Administration had performed an investigation concluding that their records reporting the client’s death was erroneous. Evidence offered included nursing home facility progress notes dated 1997, reporting the then 71-year-old client's admission to the facility, and the November 2005 Medicaid coupon issued by the Department. This information was obtained by Social Security Administration from the provider, who was the recipient of approximately \$48,000 in claims. For purposes of our audit, we do not consider this documentation as evidence that the client is alive. This is because:
    - We saw no recent facility progress notes, physician's orders, nursing plan of care or other documentation that would indicate on-going treatment and care.
    - We could not consider the Medicaid coupon as evidence as it originated from the Department that we are auditing.

As a result, we have not rescinded questioned costs totaling \$47,989.23 for this individual.

The Department cites 162 instances in which the Social Security number recorded did not match the name of the individual recorded in MMIS. The Department incorrectly states that an individual may appropriately use a Social Security number belonging to someone else when applying for Medicaid benefits. Federal regulations (42 CFR 435.910(a)) specifically require that, as a condition of eligibility, each individual (including children) requesting Medicaid services, furnish each of his or her Social Security numbers.

We reaffirm our finding and recommendations.

## Applicable Laws and Regulations

The Code of Federal Regulations is explicit in its directives regarding obtaining and verifying Social Security numbers as a condition of Medicaid eligibility. 42 CFR 435.910 (a) specifically states in part:

The agency must require, as a condition of eligibility that each individual (including children) requesting Medicaid services furnish each of his or her social security numbers . . . .

Regarding the agency's responsibility for the verification of Social Security numbers (SSN), 42 CFR 435.910 (g) states:

The agency must verify each SSN of each applicant and recipient with SSA, as prescribed by the commissioner, to insure that each SSN furnished was issued to that individual and to determine whether any others were issued.

If a Medicaid applicant cannot remember or has not been issued a Social Security number, 42 CFR 435.910 (e) (1-3) states that the agency must:

- (1) Assist the applicant in completing an application for an SSN;
- (2) Obtain evidence required under SSA regulations to establish the age, the citizenship or alien status, and the true identity of the applicant; and
- (3) Either send the application to SSA or, if there is evidence that the applicant has previously been issued a SSN, request SSA to furnish the number.

For the re-determination of Medicaid eligibility and Social Security numbers, the regulations are also quite precise. 42 CFR 435.916 (a) states in part:

The agency must re-determine the eligibility of Medicaid recipients, with respect to circumstances that may change, at least every 12 months . . . .

42 CFR 435.920 (a-c) continues:

- (a) In re-determining eligibility, the agency must review case records to determine whether they contain the recipient's SSN or, in the case of families, each family member's SSN.
- (b) If the case record does not contain the required SSNs, the agency must require the recipient to furnish them and meet other requirements of 435.910.

If the agency initially established eligibility without verification of the Social Security number, 42 CFR 435.920 (c) requires:

For any recipient whose SSN was established as part of the case record without evidence required under the SSN regulations as to age, citizenship, alien status, or true identity, the agency must obtain verification of these factors in accordance with 435.910.

The Medicaid State Plan incorporates the above references as applicable to Washington State's coverage and eligibility criteria when it states the following:

The Medicaid agency meets all requirements of 42 CFR Part 435, Subpart J for processing applications, determining eligibility, and furnishing Medicaid.

RCW 9.35.020 states in part:

- (1) No person may knowingly obtain, possess, use, or transfer a means of identification or financial information of another person, living or dead, with the intent to commit, or to aid or abet, any crime.
- (2) Violation of this section when the accused or an accomplice uses the victim's means of identification or financial information and obtains an aggregate total of credit, money, goods, services, or anything else of value in excess of one thousand five hundred dollars in value shall constitute identity theft in the first degree . . . .

**05-16 The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), did not ensure that home health agencies providing services under the Medicaid program complied with federal surety bond requirements.**

### **Background**

Home health care services include skilled nursing care, paraprofessional services, custodial care and high-tech pharmaceutical services. The elderly, a growing population with higher than average health care needs, are among the primary recipients of services offered by home health care agencies. A report from the U.S. Small Business Administration indicated, while most other industries are cutting back, home health agencies are growing.

In 1995, the U.S. Department of Health and Human Services, Office of the Inspector General, reported that home care was consuming a rapidly increasing portion of the federal health budget and that this type of health care service is “particularly vulnerable to fraud and abuse”. Examples of fraudulent claims include:

- Claims for services that were never provided.
- Duplicate claims for the same service.
- Claims for services to ineligible clients.

Surety bonds protect against loss if the terms of a contract or obligation are not filled. Unlike an insurance policy that provides against loss to the party buying the policy, a surety bond is an extension of credit in the form of a guarantee that provides protection to the party requiring the bond but provides no insurance to the party buying the bond.

In 1997, Congress enacted a law requiring that all home health agencies providing care to Medicare and Medicaid clients obtain a surety bond for \$50,000 or 15 percent of their annual claims for reimbursement, whichever was greater. On January 5, 1998, the Department of Health and Human Services published a final rule containing this statutory requirement. On March 4, 1998, the Federal Register published a notice that reported the federal government intended to make technical revisions to the January rule. In another ruling, also published on March 4, 1998, the original date for compliance with the surety bond requirement was removed and it was announced that the federal government intended to establish a compliance date.

In a letter to state Medicaid directors in July 1998, Centers for Medicare and Medicaid Services (CMS) instructed states not to enforce the surety bond requirement pending a new final ruling. Thus, the practical effect of these documents (the Federal Register and the CMS letter) was to absolve the home health agencies from having to show compliance with the requirements until 60 days following publication of a new final rule but no earlier than February 15, 1999.

However, it did not appear that Congress had ever come back with a revision to the law. The Code of Federal Regulations (CFR), from October 1999 through the present, continued to cite the surety bond regulation as the current law.

### **Description of Condition**

For our audit of fiscal year 2005, we asked the Department of Social and Health Services’ Health and Recovery Services (formerly Medical Assistance Administration) about its compliance with the surety bond requirement. It reported that no requirement applied, basing this position on the letter issued by CMS instructing the states that the rule was suspended. Further testing, however, indicated that the Department reported in surveys, administered by the U.S. General Accounting Office, that Washington State was complying with the surety bond requirement for home health agencies.

The apparent inconsistencies with the Department’s representations, the instructions given by CMS and the law as stipulated in the federal regulations prompted us to seek guidance from the U.S. Department of Health and Human Services, Office of the Inspector General. We asked the following questions:

1. In the hierarchy of guidance, which would take precedence: the Federal Register, the CFR or CMS' instruction to the states?
2. In view of the discrepancies in the authorities, should the lack of adherence to the regulation be considered non-compliance on the part of the state?
3. What is the State Auditor's obligation to report this?

We received the following instructions:

- The hierarchy of guidance that the State Auditor's Office must follow is the CFR. Thus, we must audit to the law applicable for the current audit period. Regardless of the letter that CMS wrote to Medicaid Directors in 1998 and regardless of the Federal Register citation suspending the compliance date, the regulation for the surety bond is current law.
- If the state does not enforce the surety bond requirement for home health agencies participating in Medicaid, as the law requires, it is in non-compliance despite apparent discrepancies between the Federal Register and the CMS directive. No agency of the federal government has the authority to direct a state not to follow the law.
- If the state is not enforcing the surety bond requirement, as the law provides, the State Auditor's Office is obligated to report it.

#### **Cause of Condition**

The Department believed that the surety bond requirement was not in effect based on a CMS letter issued in 1998 to State Medicaid Directors, noting the rule was suspended.

#### **Effect of Condition**

The Administration paid \$15,269,485 to home health agency providers that rendered care to Medicaid clients but did not comply with the surety bond requirement.

#### **Recommendation**

We recommend the Department:

- Require all home health providers that provide services to Medicaid clients provide proof that all surety bond requirements are met as required by federal law.

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

*The Department disagrees with this finding. As the federal funding authority for the Medicaid program, CMS has given direction to the states to not implement the surety bond requirement until specifically directed to do so by CMS. This direction was provided in the Federal Register on July 31, 1998. The Department will follow CMS direction on this issue. In a memo dated February 13, 2006, the Attorney General staff for the Department agreed with this action, as stated in the following excerpt from the memo:*

HHS suspended compliance with the surety bond requirement for home health agencies (HHAs) on July 31, 1998, citing “significant concerns expressed by the United States Congress and HHAs.” 63 Fed. Reg. 41,070 (July 31, 1998). It further stated that the suspension remains in effect until it has evaluated reports from the General Accounting Office regarding surety bonds and published a final rule on surety bond compliance. There has been no change to this suspension since July 1998.

In my opinion, the Department of Social and Health Services (Department) is not required to verify surety bonds at this time because HHS has suspended compliance with this rule. It is not necessary for the Department to second-guess HHS’ action as it is the federal agency charged with interpreting and implementing Medicare and Medicaid regulations.

### **Auditor’s Concluding Remarks**

The State Auditor’s Office is required to audit for compliance to current law. The surety bond requirement for home health agencies has existed in federal statute since 1998. Although we understand the reason that the Department is out of compliance, we reaffirm our audit finding and recommendations.

### **Applicable Laws and Regulations**

42 United States Code 1395x(o), states in part:

The term "home health agency" means a public agency or private organization, or a subdivision of such an agency or organization, which –

7) provides the Secretary with a surety bond—

(A) effective for a period of 4 years (as specified by the Secretary) or in the case of a change in the ownership or control of the agency (as determined by the Secretary) during or after such 4-year period, an additional period of time that the Secretary determines appropriate, such additional period not to exceed 4 years from the date of such change in ownership or control;

(B) in a form specified by the Secretary; and

(C) for a year in the period described in subparagraph (A) in an amount that is equal to the lesser of \$50,000 or 10 percent of the aggregate amount of payments to the agency under this title and title XIX of this chapter [42 USCS 1395 et seq.] for that year, as estimated by the Secretary . . . .

42 CFR Sec. 441.16, Home health agency requirements for surety bonds; Prohibition on Federal Financial Participation, states in part:

(b) Prohibition. FFP is not available in expenditures for home health services under Sec. 440.70 of this subchapter unless the home health agency furnishing these services meets the surety bond requirements of paragraphs (c) through (l) of this section.

(c) Basic requirement. Except as provided in paragraph (d) of this section, each HHA that is a Medicaid participating HHA or that seeks to become a Medicaid participating HHA must—

(1) Obtain a surety bond that meets the requirements of this section and instructions issued by the Medicaid agency; and

(2) Furnish a copy of the surety bond to the Medicaid agency.

(d) Requirement waived for Government-operated HHAs. An HHA operated by a Federal, State, local, or tribal government agency is deemed to have provided the Medicaid agency with a comparable surety bond under State law, and is therefore exempt from the requirements of this section if, during the preceding 5 years, the HHA has not had any uncollected overpayments.

(e) Parties to the bond. The surety bond must name the HHA as Principal, the Medicaid agency as Obligee and the surety company (and its heirs, executors, administrators, successors and assignees, jointly and severally) as Surety . . .

(g) Amount of the bond.

(1) Basic rule. The amount of the surety bond must be \$50,000 or 15 percent of the annual Medicaid payments made to the HHA by the Medicaid agency for home health services furnished under this subchapter for which FFP is available, whichever is greater .

. . .

**05-17 The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), does not have adequate reviews of home health agencies to ensure providers are licensed, Medicare certified and have signed a Core Provider Agreement as required by law.**

### **Background**

Home health care services cover a broad range of services that are offered in a client's home. These include skilled nursing care, paraprofessional services, custodial care and high-tech pharmaceutical services. The elderly, a growing population with higher than average healthcare needs, are among the primary recipients of services offered by home health care agencies.

A home health agency must meet four requirements in order to participate in the Medicaid program. These requirements are:

1. A Washington State business license, unless specifically exempted.
2. Medicare certification.
3. An in-home services license issued by the Health Department. This ensures the provider is qualified to perform the services it will render to Medicaid clients.
4. A Core Provider Agreement on file with the Administration.

After acquiring a business license through the Department of Licensing, the process of becoming a home health provider begins at the Health Department. An in-home services license must first be obtained. This requires completion of the application and submission of required documentation, including:

- Proof of professional liability insurance and property damage insurance.
- Copies of disclosure statements and criminal history background checks, obtained within three months of initial application or renewal, for the administrator and director of clinical services or direct care services.
- A certificate of need for each type of home health service to be provided.
- A copy of a current business license.
- A copy of policies and procedures.

If a provider wishes to render services to Medicaid clients, the home health agency must obtain Medicare certification. In Washington, the provider obtains the certification application from the Health Department. Once the provider completes the application, submits all necessary credentials and passes a Health Department pre-certification survey, the Health Department forwards all required certification documentation to the Center for Medicare and Medicaid Services (CMS) for their review. If approval is given, CMS authorizes official Medicare certification and issues a number. A letter of approval or denial is sent by CMS to the provider, the Health Department and the Department of Social and Health Services. This certification allows the provider to participate in the Medicaid program and makes the state eligible to receive federal matching funds for reimbursements paid to these providers.

Providers must also complete and sign an agreement with the Department of Social and Health Services. The Administration requires completion of the standard Core Provider Agreement. Once this has been received, a provider number is issued. This allows the provider to submit billings for its services.

## **Description of Condition**

In our audit, we obtained lists from the Health Department and the Administration of licensed and certified home health providers that each had in its records. We performed a match of the two lists and found 15 providers on the Administration's records that were not identified in the Health Department's report. We further reviewed these 15 providers to determine why the Administration had more Medicaid providers than the Health Department. We also selected five additional providers appearing on both lists. For these providers, we wanted to determine if all documentation was present that would indicate they were processed according to controls reported by both agencies.

We found the Administration did not have all the required documentation to support that home health agencies were properly licensed and certified for any of the providers that we reviewed. For the 20 providers we found:

- Four did not have Core Provider Agreements on file.
- Nineteen did not have evidence of Medicaid certification in the Administration's records.
- Sixteen did not have business licenses. For these, we found no evidence of exemption.
- Seventeen did not have evidence of in-home services licenses.

## **Cause of Condition**

The Department:

- Does not have controls to ensure that all home health providers meet the criteria for participating in the Medicaid program.
- Has not allocated sufficient resources to ensure that all the requirements are present prior to issuing a provider number.

## **Effect of Condition**

We do not have reasonable assurance that home health providers providing services to Medicaid clients are eligible to be participating providers. We base this opinion on the lack of supporting documentation the Administration had in its files to substantiate representations that providers were eligible to participate in the Medicaid program. The questioned costs attributable to the 20 providers were \$417,174 for the period January 1, 2004 through December 31, 2004. Half of these costs were paid with federal Medicaid funds.

## **Recommendation**

We recommend the Department:

- Ensure all home health agencies have all required documentation on file to support a provider's eligibility to participate in the Medicaid program.
- Work with the U.S. Department of Health and Human Services to determine if any unallowable costs charged to federal Medicaid funds should be returned.

## **Department's Response**

The Department concurs with this finding.

*The Provider Enrollment (PE) Section and the Customer Service Center in the Health and Recovery Services Administration have made the following changes to address this finding.*

*Three new positions have been assigned as of May 2005 to PE to assist with the increased application workload, the increased verification procedures and other necessary projects. The impact of these changes have allowed PE to bring the current application process up to standards, make the needed verifications, and bring PE from over 70 days behind in processing applications to less than 15 days. It has also allowed PE to work at file cleanup.*

*PE has instituted a new process as of July 2005 for working applications which include the reviewing of all necessary documents such as the Core Provider Agreement, Medicare Certification, necessary license from Department of Health, and Washington State business license.*

*PE also started a project as of November 11, 2005 that brought all the current providers up to date with all the necessary documents as listed above. This project is continuing.*

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

We appreciate the steps the Department is taking to resolve this issue. We will review the condition during our next audit.

### **Applicable Laws and Regulations**

Criteria:

#### Core Provider Agreement

42 CFR 431.107 (b) Agreements, states in part:

A state plan must provide for an agreement between the Medicaid agency and each provider or organization furnishing services under the plan in which the provider or organization agrees to:

- (1) keep any records necessary to disclose the extent of the services the provider furnishes to recipients . . . .

#### DOH In Home Service License

RCW 70.127.080, Licenses -- Application procedure and requirements, states:

- (1) An applicant for an in-home services agency license shall:
  - (a) File a written application on a form provided by the department;
  - (b) Demonstrate ability to comply with this chapter and the rules adopted under this chapter;
  - (c) Cooperate with on-site survey conducted by the department except as provided in RCW 70.127.085;
  - (d) Provide evidence of and maintain professional liability, public liability and property damage insurance in an amount established by the department, based on industry standards. This subsection shall not apply to hospice agency applicants that provide hospice care without receiving compensation for delivery of services;
  - (e) Provide documentation of an organizational structure, and the identity of the applicant, officers, administrator, directors of clinical services, partners, managing employees or owners of ten percent or more of the applicant's assets;

(f) File with the department for approval a description of the service area in which the applicant will operate and a description of how the applicant intends to provide management and supervision of services throughout the service area. The department shall adopt rules necessary to establish criteria for approval that are related to appropriate management and supervision of services throughout the service area. In developing the rules, the department may not establish criteria that:

- (i) Limit the number or type of agencies in any service area; or
- (ii) Limit the number of persons any agency may serve within its service area unless the criteria are related to the need for trained and available staff to provide services within the service area;

(g) File with the department a list of the home health, hospice and home care services provided directly and under contract;

(h) Pay to the department a license fee as provided in RCW 70.127.090

(I) Comply with RCW 43.43.830 for criminal background checks; and

(j) Provide any other information that the department may reasonably require.

(2) A certificate of need under chapter 70.38 RCW is not required for licensure except for the operation of a hospice care center.

RCW 70.127.020 Licenses required after July 1, 1990 – Penalties, states:

(1) After July 1, 1990, a license is required for a person to advertise, operate, manage, conduct, open or maintain an in-home services agency.

(2) An in-home services agency license is required for a nursing home, hospital, or other person that functions as a home health, hospice, hospice care center or home care agency.

(3) Any person violating this section is guilty of a misdemeanor. Each day of a continuing violation is a separate violation.

(4) If any corporation conducts any activity for which a license is required by this chapter without the required license, it may be punished by forfeiture of its corporate charter.

(5) All fines, forfeitures and penalties collected or assessed by a court because of a violation of this section shall be deposited in the department's local fee.

Certification

State Plan approved July 11, 2003.

WAC 388-551-2200, Home health services--Eligible providers. The following may contract with MAA to provide home health services through the home health program, subject to the restrictions or limitations in this section and other applicable published WAC:

(1) A home health agency that:

- (a) Is Title XVIII (Medicare) certified;
- (b) Is department of health (DOH) licensed as a home health agency;
- (c) Submits a completed, signed core provider agreement to MAA; and
- (d) Is assigned a provider number . . . .

**05-18      The Department of Health does not retain documentation that would provide evidence to ensure all home health agency providers performed criminal background checks and obtained disclosures on employees having unsupervised access to vulnerable adults, as the law requires.**

**Background**

Washington State regulations require home health agencies to ensure each employee who has unsupervised access to vulnerable children and adults undergo a criminal background check and make a full disclosure of any crimes committed prior to employment. The Department of Health, as the licensing authority, has the responsibility for assuring home health agencies comply with this regulation.

If home health agencies have not complied with this requirement, the Department may cite the facility and could suspend or revoke the provider's license. The agency would then no longer qualify as a certified Medicare provider. If a home health provider is not Medicare certified, it cannot participate in the Medicaid program.

Federal law also requires the responsible agency to keep on file, and readily accessible, all information and reports used in determining whether Medicaid providers meet federal requirements.

**Description of Condition**

During our audit we found that the Department of Health materially complied with the requirement to perform criminal background checks and disclosures for administrators of home health agencies during the licensing process. We reviewed the licensing documents for 12 providers and found evidence in the Department's files of criminal background checks and disclosures for all but one provider.

We also attempted to determine if the Department monitors whether home health agencies perform background checks on all employees that have unsupervised access to vulnerable adults. We found no evidence that this is occurring either upon licensure or during the survey process. The Department reported it reviews records for a limited number of randomly selected employees during its surveys of home health agencies. If the results of this review are satisfactory, no other records are reviewed. The Department also reported the support for this review is not retained.

**Cause of Condition**

The Department stated:

- Although records are retained for administrators, support related to their survey of background checks and disclosures of home health staff having unsupervised access to vulnerable adults are not retained in the interest of confidentiality.
- It is the responsibility of the home health agency, not the Department of Health, to ensure that criminal background checks are performed on individuals having unsupervised access to vulnerable adults.
- State regulations governing Department of Health's responsibility to ensure compliance with licensing requirements are "permissive" and they are not required to ensure that a background check has been completed on every employee at every home health agency.
- It is acting within "exception" reporting guidelines, which requires retention of documents only in cases where exceptions are found.

**Effect of Condition**

When the Department of Health does not retain documentation, we are unable to review whether it is monitoring home health agencies for compliance with the requirement to perform background checks and obtain necessary disclosures.

Additionally, not retaining survey records is a violation of federal regulations.

### **Recommendation**

We recommend the Department:

- Verify background checks and disclosure statements are completed for employees of home health agencies who have unsupervised access to children and the developmentally disabled.
- Retain surveyor's documentation of their reviews of employee criminal background checks and disclosures statements.

### **Department's Response**

*We do not concur with the finding for the reasons enumerated below:*

*Our current process of reviewing Home Health Agency (HHA) employee files on a limited test basis is intended to determine if HHAs are conducting criminal back ground checks in accordance with state law when hiring new employees. Applicable statutes clearly state that it is the HHA employer responsibility to ensure that criminal back ground checks are performed. It is a Department of Health responsibility to obtain reasonable assurance of compliance, but not to duplicate the HHA process.*

*The goal of a HHA survey is to determine if the entity is in compliance with conditions of participation as set forth in 42 CFR Part 482 and Part 484, and by inference all applicable state laws including the requirement that HHA perform criminal back ground checks.*

*If our surveyor determines that the subject HHA is in violation of the requirement to complete criminal background checks it is noted as such on the final report CMS form 2567. If violations involve specific employees a confidential list is also included.*

*If no violations have been found by the surveyor, the report is signed, filed and retained by the Department of Health. We believe that this fulfills the intent of CFR 42 CFR 431.610(f) (3) to retain all information and reports, and is consistent with state law. In addition the process and methodology for our conduct of HHA surveys and reporting conforms to the Centers for Medicare and Medicaid Services (CMS) policies and procedures found in their State Operation Manual and Principles of Documentation Guide.*

*We appreciate that the auditor's recommendations are intended to provide an additional layer of assurance that criminal background have been performed. However, our agency is striving to utilize our available resources in the most efficient manner possible, and must evaluate any recommended control or policy change in a cost benefit context. We do not feel that additional documentation of compliant entities is necessary, cost effective, required by state or federal law, nor would result in any additional protection for vulnerable residents of HHAs.*

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

We have carefully reviewed the Department's response and understand its position; however, we reaffirm our finding.

It is the Department's responsibility to determine that home health agencies perform background checks on all employees with unlimited access to vulnerable adults and children.

By not retaining documentation that the surveyor has verified background checks have been performed, we cannot express assurance that the agency is monitoring for compliance with the law. Government auditing standards, section 4.03 c, require:

Sufficient, competent and relevant evidence is to be obtained to provide a reasonable basis for the auditors' findings and conclusions.

The Department states it is conducting surveys according to the State Operations Manual obtained from the Centers for Medicare and Medicaid Services. The purpose of that manual is to make the Code of Federal Regulations more understandable for users. The methodology in the manual is not intended to circumvent survey procedures or discard the requirement for audit documentation.

We reaffirm our finding that the Department of Health does not retain documentation, which would provide evidence to ensure all home health agency providers performed criminal background checks and obtained disclosures on employees having unsupervised access to vulnerable adults, as the law requires.

### **Applicable Laws and Regulations**

42 CFR §484.12 (a), states in part:

. . . The HHA and its staff must operate and furnish services in compliance with all applicable Federal, State, and local laws and regulations . . . .

42 CFR 431.610(f)(3), states in part:

The survey agency will keep on file all information and reports used in determining whether participating facilities meet Federal requirements . . . .

42 CFR 431.610(f)(4), states in part:

. . . The survey agency will make the information and reports required under paragraph (f)(3) of this section readily accessible to HHS and the Medicaid agency as necessary . . . .

RCW 43.43.834(2), states in part:

A business or organization shall require each applicant to disclose to the business or organization whether the applicant:

- (a) Has been convicted of a crime;
- (b) Has had findings made against him or her in any civil adjudicative proceeding as defined in RCW 43.43.830; or
- (c) Has both a conviction under (a) of this subsection and findings made against him or her under (b) of this subsection.

RCW 70.127.080, states in part:

An applicant for an in-home services agency license shall:

- (i) Comply with RCW 43.43.830-.842 for criminal background checks . . . .

RCW 43.43.842, Vulnerable adults -- Additional licensing requirements for agencies, facilities, and individuals providing services, states:

- (1)(a) The secretary of social and health services and the secretary of health shall adopt additional requirements for the licensure or relicensure of agencies, facilities, and licensed individuals who provide care and treatment to vulnerable adults, including nursing pools registered under chapter 18.52C RCW. These additional requirements shall ensure that any person associated with a licensed agency or facility having unsupervised access with a vulnerable adult shall not have been:
  - (i) Convicted of a crime against persons as defined in RCW 43.43.830 except as provided in this section;

- (ii) convicted of crimes relating to financial exploitation as defined in RCW 43.43.830, except as provided in this section;
- (iii) found in any disciplinary board final decision to have abused a vulnerable adult under RCW 43.43.830 or
- (iv) the subject in a protective proceeding under chapter 74.34 RCW.

(b) A person associated with a licensed agency or facility who has unsupervised access with a vulnerable adult shall make the disclosures specified in RCW 43.43.834

(2). The person shall make the disclosures in writing, sign, and swear to the contents under penalty of perjury. The person shall, in the disclosures, specify all crimes against children or other persons, all crimes relating to financial exploitation, and all crimes relating to drugs as defined in RCW 43.43.830, committed by the person.

RCW 43.43.830, Background checks -- Access to children or vulnerable persons – Definitions, states in part:

Unless the context clearly requires otherwise, the definitions in this section apply throughout RCW 43.43.830 (1) "Applicant" means:

- (a) Any prospective employee who will or may have unsupervised access to children under sixteen years of age or developmentally disabled persons or vulnerable adults during the course of his or her employment or involvement with the business or organization;

RCW 70.127.170, Licenses -- Denial, restriction, conditions, modification, suspension, revocation -- Civil penalties, states in part:

Pursuant to chapter 34.05 RCW and RCW 70.127.180 3), the department may deny, restrict, condition, modify, suspend, or revoke a license under this chapter or, in lieu thereof or in addition thereto, assess monetary penalties of a civil nature not to exceed one thousand dollars per violation, or require a refund of any amounts billed to, and collected from, the consumer or third-party payor in any case in which it finds that the licensee, or any applicant, officer, director, partner, managing employee, or owner of ten percent or more of the applicant's or licensee's assets:

- (1) Failed or refused to comply with the requirements of this chapter or the standards or rules adopted under this chapter . . . .

**05-19 The Department of Social and Health Services, Aging and Disability Services Administration, does not ensure providers of home health care services are Medicare-certified as required by the Medicaid State Plan.**

**Background**

Home health care services cover a broad range of services offered in a client's home. These include skilled nursing care, paraprofessional services, custodial care and high-tech pharmaceutical services. The elderly, a growing population with higher than average healthcare needs, are among the primary recipients of services offered by home health care agencies.

If a provider wishes to render services to Medicaid clients, the home health agency must obtain Medicare certification. However, states may request waivers of certain federal requirements in order to develop community-based treatment alternatives that are financed by Medicaid. Home and Community-Based Service (HCBS) waivers give states the flexibility to use alternatives to institutionalized care, such as hospitals and nursing homes. The HCBS waiver program recognizes many individuals can be cared for in their homes and communities, preserving their independence and ties to family and friends at a cost that is no higher, and often less, than that of institutional care. In Washington, six waivers that the Aging and Disability Services Administration oversees affect home health care clients.

Provisions of the waivers stipulate qualifications that a home health provider must meet in order to give care to clients under the Medicaid program. They indicate provider qualifications by provider type and service type. Thus, some providers can perform some services and not be Medicare-certified, but must be certified to perform other services. For instance, under the Community Options Program Entry System (COPES) waiver, a home health agency does not have to be certified to perform personal care services. However, the waiver does not allow skilled nursing services to be performed by an uncertified home health agency. Thus, if a provider renders services not specifically indicated under the waiver as not requiring certification, it must be a Medicare-certified provider to be eligible to provide those services to Medicaid clients.

**Description of Condition**

In our audit, we attempted to determine if the Administration had controls in place to ensure home health providers are providing only services they are certified by law and/or qualified by waiver to perform. We found that under the six waivers granted to Washington by the federal government, only three services did not require a home health provider to be Medicare certified. These services were personal care, caregiver/recipient training and respite care.

We selected 27 home health providers for our tests. We found only four were Medicare-certified. We also found that the Administration makes no effort to ensure providers are Medicare-certified.

We then reviewed the services provided by each provider. We wanted to determine if services requiring certification were rendered by certified providers. We found non-certified providers were performing services that only Medicare-certified providers should perform.

**Cause of Condition**

The Administration does not have controls to ensure that all home health providers meet the criteria for participating in the Medicaid program.

The Administration believes that all services covered under the waivers are exempt from Medicare certification and thus its providers of home health care need not be certified.

**Effect of Condition**

We do not have reasonable assurance that providers performing services under Home and Community-Based Service waivers, managed by the Aging and Disability Services Administration, are certified to perform the services they render to Medicaid clients. More than \$11,449,600, of which \$15,611 was paid on behalf of Children's

Administration clients, was paid to providers not certified as required by federal regulations. These are questioned costs. Half of these costs were paid with federal Medicaid funds.

### **Recommendation**

We recommend the Department:

- Develop controls to ensure all home health providers meet the criteria for participating in the Medicaid program.
- Work with the U.S. Department of Health and Human Services to determine if any unallowable costs charged to federal Medicaid funds should be returned.

### **Department's Response**

*The Department agrees that home health provider qualifications need to be clarified in the State Plan Amendment and waivers.*

#### **Payments for services that are related to skilled nursing:**

*\$6,926,768.43 of the questioned costs relate to nursing services provided by Home Health Agencies. The State Auditors Office (SAO) audit of home health agencies identified that Aging and Disability Services (ADSA) does not ensure providers of home health care services are Medicare certified as required by the Medicaid State Plan. The Department believes the audit identified opportunities for improved documentation related to the qualifications of agencies providing skilled nursing under the State Plan and the Home and Community Services (HCS) and Division of Developmental Disabilities (DDD) waivers. We have already taken steps to clarify who is considered a qualified provider of nursing services in the State Plan and in our waivers.*

*We do not believe these payments are unallowable when considering the following:*

- *Clients served were eligible to receive the services provided;*
- *Skilled nursing services were provided;*
- *The services were performed by appropriately qualified registered nurses as required under the waivers;*
- *In past audits performed by the Centers for Medicare and Medicaid Services (CMS) payments for skilled nursing under the state plan and the HCS waivers performed by licensed home health agencies that are not Medicare certified were not questioned.*

*Aging and Disability Services is working with CMS to revise the State Plan and the waivers to more accurately reflect qualified providers of each service as well as where Medicare certification is required and where it is not. We will ensure that home health providers meet the criteria as approved in the amended State Plan and waivers.*

#### **Payments for services that are not related to skilled nursing:**

*The Department does not concur with these findings as they relate to payments for services that are not related to skilled nursing. The SAO questioned \$4,507,228.34 in payments that do not relate to skilled nursing.*

*It is the Department's understanding that in auditing home health agencies, the SAO applied the Medicare Certification provider requirement in the State Medicaid Plan and the Code of Federal Regulations (CFR) for the provision of nursing services even to non-nursing services provided by those agencies to ADSA clients. The State Plan does indicate that home health agencies must be Medicare certified, however, there is no such requirement for the other services provided by these agencies that do not relate to skilled nursing care. The home health agencies identified in the audit also hold other contracts with the Department for services that do not involve skilled nursing such as personal care, environmental modifications, medical equipment and supplies, and adult family home services.*

The following information includes a description of services provided by the identified home health agency that are not related to skilled nursing and the dollar total identified in the SAO audit for those services.

**1. Personal Care under the State Plan**

Defined as assistance with eating, bathing, dressing, personal hygiene, and other activities of daily living. It also includes assistance with instrumental activities of daily living such as housekeeping, laundry, meal preparation and transportation. All personal care services are non-medical in nature.

**Qualifications:**

In both the State Plan and the CFR, the requirement for a personal care provider is that the provider of personal care be a qualified individual who is not a relative of the client. CMS and that state have, since the beginning of the personal care program, agreed that the specific qualification for personal care providers are set by the state and spelled out in Washington Administrative Code (WAC). Consequently, a personal care provider can be an individual or a licensed home care agency – a Medicare certification is not relevant regarding personal care.

In-Home Services licensing requirements for both home care and home health agencies are found in WAC 246-335. Agencies must be licensed in the home care or home health service categories to provide non-medical services such as personal care.

Relevant WAC related to personal care provider qualifications is listed below:

WAC 388-106-0010 What definitions apply to this chapter?

"Agency provider" means a licensed home care agency or a licensed home health agency having a contract to provide long-term care personal care services to you in your own home.

"Individual provider" means a person employed by you to provide personal care services in your own home. See WAC 388-71-0500 through 388-71-05909.

"Personal care services" means physical or verbal assistance with activities of daily living (ADL) and instrumental activities of daily living (IADL) due to your functional limitations. Assistance is evaluated with the use of assistive devices.

WAC 388-106-0040 Who can provide long-term care services? The following types of providers can provide long-term care services:

(1) Individual providers (IPs), who provide services to clients in their own home. IPs must meet the requirements outlined in WAC 388-71-0500 through 388-71-05909.

(2) Home care agencies, which provide services to clients in their own home. Home care agencies must be licensed under chapter 70.127, RCW and chapter 246-336, WAC and contracted with area agency on aging.

(3) Residential providers, which include licensed adult family homes and boarding homes, who contract with the department to provide assisted living, adult residential care, and enhanced adult residential care services (which may also include specialized dementia care).

(4) Providers who have contracted with the department to perform other services.

**Payments for personal care identified by the SAO audit:**

\$655,174.41 in payments under DDD contracts and \$3,190,315.51 in payments under HCS contracts.

In addition, a total of \$70,712.39 in payments were made to Adult Family Homes (AFH) to provide residential personal care to clients under HCS and \$14,031.36 under DDD as defined in AFH License under Chapter 70.128 of the Revised Code of Washington (RCW) and 388-76 WAC.

## **2. Environmental Modifications:**

*Environmental Modifications under the COPES waiver are defined as minor physical adaptations to the client's own home which are authorized in the client's service plan; necessary to ensure the client's health, welfare, and safety; enable the client to function with greater independence in his/her home; are of direct medical or remedial benefit to the client; are in accord with applicable state or local building codes.*

*Minor physical adaptations may include the installation of ramps and grab-bars, widening of doorways, modification of bathroom facilities, or installation of specialized electric and plumbing systems, which are necessary to accommodate the medical equipment and supplies, which are necessary for the welfare of the individual. Excluded are those adaptations or improvement to the home, which are of general utility, and are not of direct medical or remedial benefit to the individual, such as carpeting, roof repair, central air conditioning, etc. Adaptations, which add to the total square footage of the home, are excluded from this benefit.*

### **Qualifications:**

*The provider must be currently registered as a general or specialty contractor and in good standing with the Department of Labor and Industries under RCW 18.27, except as provided under RCW 18.27.090 Exemptions, or if the provider is a volunteer.*

### **Payments for Environmental Modifications identified in the SAO audit:**

*\$3,187.17 in payments under HCS contracts.*

## **3. Personal Emergency Response Systems (PERS):**

*Defined as an electronic system whereby an individual can secure help in an emergency through an electronic device that is connected to the individual's phone and programmed to signal a response center, staffed by trained professionals who will immediately summon help for the client. This service provides for system installation and on-going monitoring for emergencies; it does not include such services as medication reminders, well-checks, or any other enhancements available from the contractor. (System specifications are defined in the contract statement of work.)*

### **Qualifications:**

*A qualified PERS provider is an electronic communication and equipment monitoring agency.*

### **Payments for Personal Emergency Response Systems identified by the SAO audit:**

*\$155,229.99 in payments under HCS contracts.*

## **4. Specialized Medical Equipment and Supplies:**

*Defined as durable and non-durable medical equipment and supplies which includes devices, controls, or appliances, authorized in a client's service plan, which enable individuals to increase their ability to perform activities of daily living, or to perceive, control, or communicate with the environment in which they live.*

*This service also includes items necessary for life support, ancillary supplies and equipment necessary to the proper functioning of such items, and durable and non-durable medical equipment not available under the Medicaid State Plan. Items reimbursed with waiver funds shall be in addition to any medical equipment and supplies furnished under the State Plan, Medicare or other insurance, and shall exclude those items, which are not of direct medical or remedial benefit to the individual. All items shall meet applicable standards of manufacture, design and installation.*

**Qualifications:**

*The contractor must be a legal business entity and be legitimately engaged in the business of provision of medical equipment and supplies. Contractors located in the state of Washington must have a Universal Business Identifier and Master Business License, as issued by the state Department of Revenue. Out of state Contractors must possess a Universal Business Identifier and Master Business License only when it is required for Washington State law.*

**Payments for Specialized Medical Equipment and Supplies identified by the SAO audit:**

*\$62,495.46 in payments under HCS contracts.*

**5. Respite Care:**

*Defined as non-medical services provided to individuals unable to care for themselves; furnished on a short-term basis because of the absence or need for relief of those persons normally providing the unpaid care.*

**Qualifications:**

*Same as personal care*

**Payment for Respite Care identified by the SAO audit:**

*\$327,126.04 in payments under DDD.*

**Auditor's Concluding Remarks**

The purpose of our audit was to determine if the Administration had controls in place to ensure home health providers are providing only services they are certified to perform or, if not certified, are duly exempted by waiver. Since we have not reviewed client eligibility for home health services or the qualifications of the staff providing services, we do not render an opinion on this portion of the Department's response.

The waivers allowing the Department to deviate from State Plan Medicare certification requirements stipulate both the type of service that is exempt and the qualifications of the provider rendering such exempted services. These waivers indicate that only training provided to either recipient or caregiver, personal care services and respite care could be provided by non-certified home health agencies. All other services not covered under the waivers must be provided by certified home health agencies per the State Plan. If the entity received Medicaid funds for the services it rendered, but was not Medicare-certified as required by the state plan or not specifically exempted from certification by waiver, we deemed the costs as unallowable.

We reaffirm our finding and our recommendation that the Department develop controls to ensure all home health providers meet the criteria for participating in the Medicaid program.

**Applicable Laws and Regulations**

Criteria

Core Provider Agreement

42 CFR 431.107 (b) Agreements, states:

A State plan must provide for an agreement between the Medicaid agency and each provider or organization furnishing services under the plan in which the provider or organization agrees to

- (1) keep any records necessary to disclose the extent of the services the provider furnishes to recipients;

DOH In Home Service License

RCW 70.127.080, Licenses -- Application procedure and requirements, states:

- (1) An applicant for an in-home services agency license shall:

- (a) File a written application on a form provided by the department;
- (b) Demonstrate ability to comply with this chapter and the rules adopted under this chapter;
- (c) Cooperate with on-site survey conducted by the department except as provided in RCW 70.127.085
- (d) Provide evidence of and maintain professional liability, public liability, and property damage insurance in an amount established by the department, based on industry standards. This subsection shall not apply to hospice agency applicants that provide hospice care without receiving compensation for delivery of services;
- (e) Provide documentation of an organizational structure, and the identity of the applicant, officers, administrator, directors of clinical services, partners, managing employees, or owners of ten percent or more of the applicant's assets;
- (f) File with the department for approval a description of the service area in which the applicant will operate and a description of how the applicant intends to provide management and supervision of services throughout the service area. The department shall adopt rules necessary to establish criteria for approval that are related to appropriate management and supervision of services throughout the service area. In developing the rules, the department may not establish criteria that:
  - (i) Limit the number or type of agencies in any service area; or
  - (ii) Limit the number of persons any agency may serve within its service area unless the criteria are related to the need for trained and available staff to provide services within the service area;
- (g) File with the department a list of the home health, hospice, and home care services provided directly and under contract;
- (h) Pay to the department a license fee as provided in RCW 70.127.090
- (i) Comply with RCW 43.43.830 for criminal background checks; and
- (j) Provide any other information that the department may reasonably require.(2) A certificate of need under chapter 70.38 RCW is not required for licensure except for the operation of a hospice care center.

RCW 70.127.020, Licenses required after July 1, 1990 – Penalties, states:

- (1) After July 1, 1990, a license is required for a person to advertise, operate, manage, conduct, open, or maintain an in-home services agency.
- (2) An in-home services agency license is required for a nursing home, hospital, or other person that functions as a home health, hospice, hospice care center, or home care agency.
- (3) Any person violating this section is guilty of a misdemeanor. Each day of a continuing violation is a separate violation.
- (4) If any corporation conducts any activity for which a license is required by this chapter without the required license, it may be punished by forfeiture of its corporate charter.
- (5) All fines, forfeitures, and penalties collected or assessed by a court because of a violation of this section shall be deposited in the department's local fee.

Certification

State plan approved July 11, 2003.

WAC 388-551-2200, Home health services--Eligible providers, states in part:

The following may contract with MAA to provide home health services through the home health program, subject to the restrictions or limitations in this section and other applicable published WAC:

(1) A home health agency that:

- (a) Is Title XVIII (Medicare) certified;
- (b) Is department of health (DOH) licensed as a home health agency;
- (c) Submits a completed, signed core provider agreement to MAA; and
- (d) Is assigned a provider number . . . .

**05-20 The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), is not complying with federal regulations that require people receiving Medicaid benefits to have valid Social Security numbers.**

**Background**

The Department of Social and Health Services must require, as a condition of eligibility, that each individual applying for Medicaid services (including children), furnish his or her Social Security number. Federal regulations also require the Department to verify the number with the Social Security Administration to ensure it was issued to the individual who supplied it and whether any other number has been issued for that individual. If an applicant does not remember or has not been issued a number, the Department must assist the individual in applying for one. Under these circumstances, the Department must obtain evidence to establish the age, citizenship or immigration status and true identity of the applicant.

When the Department approves an applicant for Medicaid, it enters client information into the Department's Automated Client Eligibility System (ACES). This information in ACES is then transferred electronically into the Medical Management Information System (MMIS), which the Department's Medical Assistance Administration uses to process claims and initiate payments. The Administration stated that all Medicaid clients, except those admitted through the Involuntary Treatment Act, should be and are entered into ACES upon enrollment.

**Description of Condition**

During our audit for fiscal year 2004, we found numerous instances in which no Social Security numbers were listed in the MMIS records for Medicaid clients. We also found instances in which two or more people shared the same number and other cases in which MMIS made payments for medical services for clients who were not listed in ACES. For that year, we reported payments totaling \$68,022,531 that were made on behalf of 44,597 clients who did not have a Social Security number in the Department's claims processing system.

For our current audit, we sought to determine what controls the Department had established to ensure clients requesting Medicaid benefits provided their Social Security number, as federal law requires.

For the period January 1, 2004 through December 31, 2004, we reviewed all clients in the MMIS database who received medical services under Medicaid but who did not have a Social Security number in MMIS. We eliminated several groups in an effort to ensure that we were testing only clients for whom Medicaid payments were made and a Social Security number should have been obtained. The groups that we eliminated were:

- Clients in the Alien Emergency Medical Program. These individuals should not have Social Security numbers because they are undocumented aliens. We reviewed these payments in other parts of our audit.
- Clients whose procedures were paid only with state funds.
- All children with a birth date in 2004. Although parents must obtain Social Security numbers for their children, we considered that this would not be a priority for parents whose children are very ill. We believed the exception rate would be unusually high for this group and might skew audit results. After one year of age, however, most parents are likely to have obtained Social Security numbers for their children for tax purposes and the Department would have had sufficient time to obtain those numbers.

After removing these groups, we found that there were 42,933 clients who had no Social Security numbers associated with MMIS payments for medical services provided to them. These payments totaled \$57,090,838. To determine if Social Security numbers for these clients were in ACES, where Medicaid clients are almost always enrolled, we selected a valid sample for review. This sample consisted of 323 clients. We found issues with 154 clients (48 percent of those reviewed). These exceptions fell into three areas.

- For 10 percent, we found no record of a Social Security number in either ACES or MMIS. Actual and projected costs for this group were at least \$4,127,944.

- For 16 percent, ACES reported the Social Security number was invalid. Actual and projected costs for this group were at least \$12,833,652.
- For 21 percent, we found no ACES record indicating these clients had ever been enrolled in Medicaid. The Administration previously indicated it did not believe this situation could occur, yet actual and projected payments to providers for this group were at least \$3,988,970. We consider this area highly susceptible to fraud.

### **Cause of Condition**

The Department enrolls a significant number of clients into the Medicaid program who do not provide valid Social Security numbers. It has no consistent procedures to assist clients in obtaining Social Security numbers. Additionally, the Department is not verifying the age, citizenship or immigration status and/or true identity of the applicant before enrollment. In other parts of our audit, we found the Department does not use its access to the Social Security's State On-Line Query system to verify the validity of Social Security numbers presented by clients.

Clients can be entered into the Medicaid program and MMIS without going through the standard application process that enters them into ACES and verifies eligibility.

### **Effect of Condition**

Each claim paid on behalf of a client who has no Social Security number, who has made no application for a number or who possesses an invalid number is an unallowable cost. Approximately half of the actual and projected questioned costs of \$20,950,566, or \$10,475,283, were paid with federal funds and the other half with state funds.

### **Recommendation**

We recommend the Department:

- Require staff members to obtain client Social Security numbers or assist those without a number to obtain one upon application.
- Require staff members to obtain evidence establishing the true identity of an applicant.
- Verify Social Security numbers for all Medicaid clients using the State On-line Query.
- Require staff members to heed Social Security number alerts sent by the Social Security Administration and to take action to resolve them.
- Work with the U.S. Department of Health and Human Services to determine if any unallowable costs charged to Medicaid must be reimbursed by the state.

### **Department's Response**

*The Department concurs with State Auditor's Office (SAO) recommendations that focus on the improvement of the verification of Social Security numbers (SSN) at the time of initial application. Corrective Action Plans for previous audit findings included a number of corrective steps that are currently in progress.*

- *A review of the automated SSN verification at the time of ACES entry was completed on February 4, 2005. In addition, the Department has enhanced procedures, including modification of the interface with the federal database to update nightly, with income and Medicare eligibility updated daily.*
- *The most significant solution for ensuring correct social security numbers is the modification to the State On-line Query (SOLQ). The promotion of this change in ACES is expected by April 2006. The SOLQ user interface is being modified to accommodate users' ability to multiple queries without exiting the system.*

When the upgrade is completed staff will be trained to verify the SSN upfront to maximize efficiency and accuracy.

- Staff are currently required to act on SSN discrepancy Alerts sent by the Social Security Administration. The Department will continue to provide instruction and written guidance to staff regarding the manner in which alerts are handled.
- The Department has initiated a cross-administration SSN Quality Improvement Workgroup and will continue to focus attention on increasing the accuracy of SSNs in ACES and MMIS.

The Department disagrees with several statements related to eligibility and Social Security number requirements.

- In the Background Summary, it is stated, "...that all Medicaid clients, except those admitted through the Involuntary Treatment Act, should be and are entered into ACES upon enrollment." This is an erroneous statement as Take Charge (family planning program) clients are transmitted to MMIS through ACES On-line, a web-based system, which is separate from ACES mainframe.
- In the Cause of Condition section, it is stated that, "...the Department does not use its access to Social Security's State On-line Query (SOLQ) system to verify the validity Social Security numbers presented by clients." While automatic verification does not utilize SOLQ, the Department disagrees that SSNs are not verified. In February 2005 the ACES-Federal interface was modified to utilize the State Data Exchange/Wire Third Party Query (WTPY) primarily used for SSN verification. WTPY runs nightly for new clients, clients with upcoming recertification dates, etc.

The Department partially concurs with the three SAO Social Security number error categories and has the following response. Full analysis details of each category are available.

1. **No Social Security numbers:** Twenty-three (23) of the reported 32 error were not in error. Of those, thirteen (13) were children receiving adoption support services who are deemed eligible for Medicaid and whose confidential information is retained at Children's Administration. Eight (8) clients were found to have a SSN in ACES. Eight (8) of the 32 do not have a Social Security number and were in error.
2. **Clients not in ACES:** Fifty-four (54) of the 69 clients not found in ACES were Take Charge clients whose eligibility is determined outside of the ACES mainframe. These clients are not currently entered into ACES. An additional eleven (11) clients were found in ACES by Department staff. Two (2) clients were Involuntary Treatment Act clients who are not entered in ACES. One case was in error.
3. **Invalid Social Security Numbers:** Ten (10) of the 53 clients were children receiving adoption support services and deemed eligible as previously stated above. Five (5) of the 53 clients were correctly terminated after they failed to provide their SSN as requested. The Department is precluded from denying or delaying Medicaid benefits while waiting for the client to obtain a SSN. (42CFR 435.910 (f)). Three (3) of the 53 clients did have a SSN in the electronic case record or ACES remark screens and were correctly deemed eligible for Medicaid. Thirty-five (35) of the 53 clients did not have a SSN and were in error.

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

We were informed by Department staff that applications for the Medicaid program are entered into the Automated Client Eligibility System (ACES). It is our understanding that this may occur through either ACES mainframe or through on-line access. It is also our understanding that information entered through the on-line system is processed and integrated into ACES mainframe in "real time". Thus, regardless of what system is used to enter the data, the application information including the Social Security number should be in the system.

The State On-Line Query (SOLQ) system is available to all staff that process applications for the Medicaid program. Staff does not systematically use this access to verify Social Security numbers at the time of application. When verifications are made only through the ACES federal interface, a federal alert is sent to the Department informing it of applications processed with invalid Social Security numbers. The Department does not have a system to

routinely monitor alerts sent by the interface. Consequently, clients with invalid social security numbers can remain in the system and receive benefits that they may not be entitled to, sometimes for years.

The Social Security numbers that the Department discusses in its response were not present in its eligibility system during our audit work. There is no audit trail in this system. This means that changes can be made to information in the system without indicating the date or the individual that made the change.

Each recipient of Medicaid is required to have a valid Social Security number. Federal statute mandates that the Department must require, as a condition of eligibility, each individual (including children) requesting Medicaid services furnish each of his or her social security number. This would include Take-Charge clients and children receiving adoption support services. Payments made on behalf of clients without valid Social Security numbers are not allowable costs under the Medicaid program.

We reaffirm our finding that the Department of Social and Health Services, Health and Recovery Services Administration, is not complying with the federal regulations that require people receiving Medicaid benefits to have valid Social Security numbers.

### **Applicable Laws and Regulations**

The Code of Federal Regulations is explicit regarding obtaining and verifying Social Security numbers as a condition of Medicaid eligibility. 42 CFR 435.910 (a) specifically states in part:

The agency must require, as a condition of eligibility that each individual (including children) requesting Medicaid services furnish each of his or her own social security numbers . . . .

42 CFR 435.910 (g) states:

The agency must verify each SSN of each applicant and recipient with SSA, as prescribed by the commissioner, to insure that each SSN furnished was issued to that individual and to determine whether any others were issued.

If a Medicaid applicant cannot remember or has not been issued a Social Security number, 42 CFR 435.910 (e) (1-3) states that the agency must:

- (1) Assist the applicant in completing an application for an SSN;
- (2) Obtain evidence required under SSA regulations to establish the age, the citizenship or alien status, and the true identity of the applicant; and
- (3) Either send the application to SSA or, if there is evidence that the applicant has previously been issued a SSN, request SSA to furnish the number.

42 CFR 435.916 (a) states in part:

The agency must re-determine the eligibility of Medicaid recipients, with respect to circumstances that may change, at least every 12 months . . . .

42 CFR 435.920 (a-c) states:

- (a) In re-determining eligibility, the agency must review case records to determine whether they contain the recipient's SSN or, in the case of families, each family member's SSN.
- (b) If the case record does not contain the required SSNs, the agency must require the recipient to furnish them and meet other requirements of 435.910.

If the agency initially established eligibility without verification of the Social Security number, 42 CFR 435.920 (c) requires:

For any recipient whose SSN was established as part of the case record without evidence required under the SSN regulations as to age, citizenship, alien status, or true identity, the agency must obtain verification of these factors in accordance with 435.910.

The Medicaid State Plan incorporates the above references as applicable to Washington State's coverage and eligibility criteria when it states the following:

The Medicaid agency meets all requirements of 42 CFR Part 435, Subpart J for processing applications, determining eligibility, and furnishing Medicaid.

**05-21 The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), has not established internal controls sufficient to ensure payment rates to its Healthy Options managed care providers are based on accurate data.**

**Background**

Managed care providers receive a uniform, pre-determined, per-patient monthly rate regardless of the number of times they see a client that month and regardless of the services provided, as long as the services are covered under the plan. Although these providers are not paid based on the types of procedures, they still must report to the Administration the types of procedures they have performed. This data is to include demographic, diagnostic and geographic information, as well as actual costs on a summary level.

The Administration contracts with an actuary to analyze the data from managed care providers and to predict the cost of care for the next year. This actuary is responsible for the accuracy of the computations. From this information, the Administration determines a rate for each Healthy Options managed care plan. In general, the plans including sicker people will receive higher rates and the plans including healthier people will be given lower rates. Before assigning these rates, the Administration is to compare them to fee-for-service costs to ensure the managed care rates are not higher.

For the past few years, the federal grantor has considered up-coding to be a significant, common risk in managed care plans. Up-coding occurs when a provider reports a higher level of service than what is actually provided. This gives the impression that the provider is treating sicker people than it really is. Up-coding results in future rates being set higher than they would be if services were reported accurately.

In our 2003 audit, we reviewed the Administration's controls to determine if procedures were in place to review the accuracy of data received from providers and used to determine the rates for its Healthy Options managed care program. We found the following weaknesses:

- The Administration generally did not review its fee-for-service data for reliability and accuracy before passing it on to the actuary. The validity of this data is crucial because it helps to determine what managed care providers will be paid the following year.
- Information comparing the fee-for-service costs to the Healthy Options Managed Care costs was not easily or readily obtainable for analysis. The Administration was unable to provide this data for our review during our audit.
- Although fraud detection, enforcement and prevention procedures were being developed and refined, only certain types of provider billings (for example, dentists and pharmacists) were being analyzed and pursued if issues were noted.

During our 2004 audit, we attempted to determine what progress the Department had made in strengthening internal controls. We found some improvements. Fraud detection, enforcement and prevention procedures have been developed and we found evidence that frauds are reported to the Medicaid Fraud Control Unit as required by federal regulations.

However, we found:

- The Administration still does not review its fee-for-service data for reliability and accuracy before passing it on to the actuary. It relies on automated analyses within the system to detect errors, but these analyses cannot detect all errors, particularly those that involve possible fraud, such as up-coding.
- The Administration has no policies or procedures that include monitoring functions for up-coding.
- The Administration does not compare fee-for-service costs to managed care costs to ensure the managed care costs are not higher.

- Data comparing fee-for-service costs to the managed care costs were not easily or readily obtainable for analysis. The Administration was unable to provide us with this data for our review during our audit.
- The federal grantor stated that, while it approved the Administration’s current rate-setting method, it still considered it to be “problematic” because it requires managed care providers to report only demographic data, such as age and gender, without requiring them to report the costs of providing services. This limits usefulness of the data. Because the regulatory requirements for actuarially-sound rate development are new, the federal grantor has given Washington the flexibility to use alternate means of rate development for the next few years, with the understanding that the quality of required provider data will be improved for subsequent contracts. In the meantime, the state is required to submit semi-annual progress reports describing its efforts to improve data quality. We found no documentation supporting that the Administration submitted either of the two reports required during the past year, although the Administration stated it submitted one of them verbally.

**Description of Condition**

During our current audit, we attempted to determine what improvements the Department had made to strengthen controls and comply with the requirements stipulated by the federal grantor.

We found that the Department submitted the semi-annual progress reports to the Center for Medicare and Medicaid (CMS) as required. CMS reported it was in the process of reviewing the progress reports, but had not been able to reach a definitive conclusion as to whether the Department has satisfactorily addressed the issues.

CMS also reported that, while it approved the Administration’s methodology for rate-setting, it still considered the data to be of limited usefulness because the Department requires that managed care providers only report demographic data, such as age and gender, without requiring them to report the costs of providing services.

**Cause of Condition**

- The Department reported it did not agree with the finding issued in 2003 or 2004 and has made no changes in the manner it monitors data submitted by managed care providers.
- The Department reported it does not compare fee-for-service costs to managed care costs to ensure the managed care costs are not higher because of the limitations of their computer systems.

**Effect of Condition**

When costs are not analyzed correctly, excessive rates may be paid to managed care providers. Additionally, the effects of fraud caused by up-coding may not be realized until some time in the future if ever.

Up-coding by managed care providers may not be subject to prosecution under the False Claim Act because the managed care plan is not receiving a benefit at the time the treatment is given. When the risk for penalty or sanction is nonexistent, there is no legal deterrent to the submission of false data.

From January 2004 through December 2004, the state made \$917,124,619 in payments to managed care providers. This represents the expenditures that the state has made to providers and for which we found no reasonable assurance that the rate was based on accurate data.

**Recommendation**

We recommend that the Department adequately analyze data used in rate-setting to ensure rates are set based on accurate information.

## **Department's Response**

*The Department disagrees with the State Auditor's Office findings related to managed care. Specific responses are listed below.*

*The auditor asserts that the data the Department requires managed care providers to submit is insufficient to ensure that managed care rates are accurate and that up-coding is an issue the Department is not sufficiently addressing. The auditor does agree that the Centers for Medicare and Medicaid Services (CMS) has reviewed and approved the Department's rate setting process through 2005, and that data received from the plans is sufficient for rate setting purposes. The Department continues to work with CMS to ensure that data received from the plans complies with all federal regulations. A project has begun in which the actuary will review submitted encounter data and compare this data to experience (cost) data to ensure that data used for rate setting purposes is complete and accurate. The project will also allow the Department to analyze if there are incidences of up-coding occurring in the managed care program. Encounter data will be analyzed to identify the expected cost for services provided. This will be compared to actual payment (cost) data to determine if encounter submissions reflect the level of payment provided by the plans to providers. This project is planned for completion by April 30, 2006.*

*The auditor states that the Department does not compare fee for service costs to managed care costs to ensure that managed care is cost efficient. This activity cannot be done with the data that the Department has access to, because the populations in managed care are fundamentally different from those in fee for service. Most Temporary Assistance for Needy Families Program (TANF) children and pregnant women are enrolled in managed care. It is a mandatory requirement so those populations are not part of the fee for service coverage group. These populations have very different health care needs, service patterns and costs than those in fee for service, which include the elderly and the disabled. In order for the Department to examine whether managed care is more efficient than fee for service, an initiative would have to be mandated and funded to determine the answer to this question. The Department does not have sufficient resources to complete this study.*

## **Auditor's Concluding Remarks**

The State Auditor's Office does not agree with "the data received from the plans is sufficient for rate-setting purposes". The Department is not reviewing the data or monitoring for up-coding and so we do not know if the data is sufficient or reliable. The reliability of the data is crucial because it is used by the actuary to determine the rate that will be paid to managed care providers for services they provide to Medicaid clients.

While CMS has approved the process by which rates are set through 2005, it has not approved the rate used by the Department. The federal grantor has required the state to submit periodic progress reports describing efforts to improve data quality. We contacted CMS during our audit and it is reviewing the corrective action plan from an audit it conducted in this area.

The Department states a project has begun in which the actuary will review data submitted by the managed care providers and compare it to cost data to ensure that data used for rate setting purposes is complete and accurate. It is impossible for the actuary to verify that data submitted by the Department on behalf of the providers is either complete or accurate. The actuary, for instance, will not be able to determine the presence of up-coding. Only the Department, in comparing medical records with billing records, can determine this. We will review this project during our next audit.

The Department's statement regarding the sufficiency of its resources to perform its functions cannot be answered in this audit. We will refer this to the Performance Audit Team.

We reaffirm our finding that Department of Social and Health Services, Health and Recovery Services Administration, has not established internal controls sufficient to ensure payment rates to its Healthy Options managed care providers are based on accurate data.

## Applicable Laws and Regulations

Office of Management and Budget Circular A-133, Compliance Requirement, states:

A state may obtain a waiver of statutory requirements in order to develop a system that more effectively addresses the health care needs of its population. A waiver may involve the use of a program of managed care for selected elements of the client population or allow the use of program funds to serve specified populations that would be otherwise ineligible (Sections 1115 and 1915 of the Social Security Act).

The March 2004 federal Office of Management and Budget Circular A-133 Compliance Supplement, page 4-93.778-16, states in part:

. . . The State plan must provide methods and procedures to safeguard against unnecessary utilization of care and services . . . The State Medicaid agency must establish and use written criteria for evaluating the appropriateness and quality of Medicaid services. The agency must have procedures for the ongoing post-payment review, on a sample basis, of the need for and the quality and timeliness of Medicaid services.

Title 42, Code of Federal Regulations, Section 456.3, states the following as it pertains to surveillance and utilization control:

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 . . . .

**05-22 The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), made supplemental Medicaid payments to public hospital districts totaling \$41,154,000 without a federally approved payment methodology.**

**Background**

Since 1999, the Department of Social and Health Services has provided supplemental Medicaid funds to eligible public hospital districts with nursing home facilities that meet established criteria. These payments are intended to preserve access to health care in rural areas and are subject to the availability of federal matching funds. The Department's Medical Assistance Administration refers to these supplemental funds as Proshare and has provided for Proshare in an amendment to the Washington Medicaid State Plan.

Each state receiving these supplemental funds has the flexibility to determine how to calculate the payments. Federal rules require each state to include in its state plan a detailed description of the specific payment method to be used and this method must be approved by the federal grantor. If this payment method is not included in a state's plan, the state must submit an amendment to describe the method; otherwise, the supplemental payments are not allowable.

During our audit in 2004, we attempted to identify expenditure trends. During our comparison of fiscal year 2004 expenditures to fiscal year 2003 expenditures, we identified a fiscal year 2003 discrepancy of \$10 million between the state's official accounting system and the Administration's records. We attempted to determine the cause of this discrepancy. In addition, as our audit proceeded, we found other significant issues, some resulting from previous Proshare payments that caused us to expand our scope. As a result, we also attempted to determine why:

- The Administration adjusted a fiscal year 2002 federal report to correct a \$733 million dollar overpayment of state and federal funds it received in state fiscal year 2002.
- During the third quarter of fiscal year 2003, an additional adjustment of \$16 million was required to resolve the fiscal year 2002 overpayment.

Due to a client-imposed scope limitation, we were unable to perform the necessary review to determine if payments the state made to public hospital districts, under the Proshare program, were allowable and if the additional issues we noted could be reasonably explained.

The Administration stated that the Medicaid State Plan contains information on the payment method, but we did not find the detailed description of the Administration's method in the State Plan that is required by federal regulations.

The Administration also stated that the three discrepancies were due to errors in calculation method. However, it did not respond to our questions regarding the number of years this incorrect method was used and did not provide us with a description of that method. The Administration also stated that the federal grantor approved its calculations used to adjust all three discrepancies. However, it provided no documentation to support the representation.

**Description of Condition**

During our current audit, we found that the Department has made two Proshare payments totaling \$41,154,000 since December 2004. We found no evidence these payments were made with a payment methodology that was approved by the federal government and included in the Medicaid State Plan. Based on our interviews with staff, our review of the Department's corrective action plan and our examination of the State Plan amendments submitted by the Department to the federal government, no changes were made to correct the internal control weakness identified in the previous audit.

### **Cause of Condition**

The Administration reported that it did not agree with the finding issued in 2004. However, in its corrective action plan, the Department did agree that the Proshare program was not well documented in the Medicaid State Plan.

The Department reported that the Proshare program is to be phased out and will be replaced by the Certified Public Expenditures program as of June 30, 2005. Because of the phase-out, the Department indicated it saw no need to improve the conditions under which the two payments issued under the Proshare program were made.

### **Effect of Condition**

Total intergovernmental transfers attributable to the Proshare program for the period December 2004 through May 2005 were \$41,154,000. The state received \$20,577,000 in federal Medicaid matching funds for these payments. The intergovernmental transfers represent the amount of money that the state distributed without a documented federally-approved payment methodology.

### **Recommendation**

We recommend the Department:

- Amend the Medicaid State Plan to include a federally-approved payment methodology for any future intergovernmental transfers involving federal Medicaid funds.

### **Department's Response**

*The Department concurs with this finding.*

*The Department has submitted a State Plan Amendment to the Centers for Medicare and Medicaid Services (CMS), the federal Medicaid funding authority, to clarify the methodology for nursing home supplemental payments known as "Proshare". The amendment was submitted to CMS for review on July 25, 2005. CMS has asked for information on the amendment; information has been provided as recently as January 31, 2006.*

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

We appreciate the steps the Department is taking to resolve this issue. We will review the condition during our next audit.

### **Applicable Laws and Regulations**

The March 2004 federal Office of Management and Budget Circular A-133 Compliance Supplement, page 4-93.778-16, states in part:

. . . The State plan must provide methods and procedures to safeguard against unnecessary utilization of care and services . . . . The State Medicaid agency must establish and use written criteria for evaluating the appropriateness and quality of Medicaid services. The agency must have procedures for the ongoing post-payment review, on a sample basis, of the need for and the quality and timeliness of Medicaid services.

Title 42, Code of Federal Regulations, Section 456.3, states the following regarding surveillance and utilization control:

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 . . . .

**05-23 The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), does not ensure that providers of motorized wheelchairs have the documentation required to substantiate claims for payment.**

**Background**

Durable medical equipment is equipment that can withstand repeated use by ill or injured people in a home setting. Some durable medical equipment, such as canes, walkers, crutches and wheelchairs, can give a person more mobility and greater independence.

An April 2004 report of the U. S. General Accountability Office (GAO) stated Medicare spending for power wheelchairs rose 450 percent from 1999 through 2003 while overall spending for the program increased 11 percent. This spending growth raises concerns that Medicare may be making improper payments to providers of motorized wheelchairs. These concerns also may apply to Medicaid.

In September 2005, GAO reported that, in fiscal year 2004, the Centers for Medicare and Medicaid Services (CMS) estimated Medicare improperly paid \$900 million for durable medical equipment. The report said some of these improper payments were due to fraud by suppliers.

Medicaid claims for power wheelchairs are paid in one of two ways:

1. As a payment for a benefit covered solely by the Medicaid program.
  - In Washington State, Medicaid-only claims require specific documentation prior to payment approval. This documentation must include a prescription signed by a physician or other licensed health practitioner, proof of medical necessity and the patient's confirmation of delivery. In addition, prior written authorization by the Administration is required for some wheelchair claims with five or more line items. Additionally, the estimated length of need for a patient cannot exceed six months for Medicaid-only claims. After that time, the need must be re-evaluated.
2. As a co-payment with Medicare for clients who are eligible for benefits under Medicaid and Medicare.
  - Claims paid by both Medicare and Medicaid are called crossover claims. These claims make up the majority of reimbursements for power wheelchairs in Washington State. In this case, Medicare is the primary payor. If a client's Medicare coverage does not pay the entire claim, any remaining balance is paid by Medicaid. The Administration requires no pre-authorization for these claims.

During our 2004 audit, we found that the Health and Recovery Services Administration (formerly Medical Assistance Administration) only reviewed a selected number of Medicaid-only claims based on irregularities in billing and provider practices. For that audit, we selected three providers of power wheelchairs for on-site review and identified payment documentation weaknesses with all 90 claims reviewed.

Our audit found the Administration relies solely on Medicare to determine the validity of a claim even though Medicaid reimbursement requirements are more restrictive. No prior authorization or secondary review is required. We also found if Medicare later deems a payment ineligible, Medicaid will not be notified and the payment still will be made.

We questioned the costs associated with the 90 claims and concluded the weaknesses we found increased the risk that providers could submit fraudulent requests for payment that would not be detected in a timely manner if at all.

**Description of Condition**

In 2005, we reviewed this area to determine if the weaknesses found in our previous audit had been resolved. We found:

- No changes in policies or procedures have been made. The Administration has submitted a draft to revise the Washington Administrative Code removing some of the requirements to make it less restrictive for suppliers and more consistent with Medicare billing requirements. However, this did not occur during our audit period.
- The Administration stated it is designing a standardized prescription form. At the time of our audit, this was still under review within the Department.
- The Administration did not follow up on any of the 90 claims identified in our 2004 audit as having inadequate documentation to support the claim.
- The Administration performed no reviews of suppliers of power wheelchairs to ensure compliance with the claim requirements.

### **Cause of Condition**

The Department stated in its corrective action plan that it did not agree with our finding of 2004. It reported it still believes relying on Medicare billing and documentation requirements is adequate for Medicaid.

### **Effect of Condition**

Without ensuring Medicaid claim reimbursements satisfy documentation requirements, we do not have reasonable assurance that the \$3,451,017 paid to providers of power wheelchairs for the period January 1, 2005 through December 31, 2005 are allowable expenditures under the Medicaid program. One-half of these questioned costs (\$1,725,509) were paid with federal funds.

### **Recommendation**

We recommend that the Administration:

- Ensure its providers are familiar with the differences in documentation requirements for Medicare and Medicaid.
- Standardize prescription and proof of medical necessity forms to facilitate compliance by providers.
- Establish controls to perform adequate reviews of payment support documentation prior to making payments for motorized wheelchairs. Ensure reviews include verification of allowability for the Medicaid portion of costs for Medicare cross-over claims.
- Work with the U.S. Department of Health and Human Services to determine if any unsupported costs charged to Medicaid must be returned.

### **Department's Response**

*The Department partially agrees with this finding.*

*The Department believes that prior authorizations for dual eligible clients would be an unnecessary burden on the Department, on providers and on clients. This requirement would not be cost effective given the medical necessity requirements fall to Medicare and the State's return would only be a co-pay of a few dollars per claim. This potential savings does not offset the overhead costs necessary for a prior authorization activity. Medicare has improved their guidelines including a prior authorization process, which appears to be very stringent.*

*With respect to the auditor's recommendation for standard Medical Necessity forms for wheelchair reimbursements, the Department currently requires completion of a medical necessity form for client purchased wheelchairs residing in a skilled nursing facility. The medical necessity form for client purchased wheelchairs residing outside of a skilled nursing facility is optional at this time; however, the Department is exploring a process and form for this situation with planned implementation in 2006.*

*Standardized prescription forms are currently being reviewed internally. Once approved, advance notification to our stakeholders, updated billing instructions, and a possible Washington Administrative Code (WAC) change will be put in place. Implementation is planned for December 2006.*

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

The Department reports that the state's portion of reimbursements for motorized wheelchairs for Medicare crossover claims is only "a few dollars per claim". However, our review found these co-pays range from \$1,100 to \$1,200 per claim.

The Department's claims that Medicare guidelines include a prior authorization process which "appears to be very stringent" is contrary to the reports that we found with respect to Medicare's controls in this area. The U.S. Government Accountability Office issued a report in September 2005, *More Effective Screening and Stronger Enrollment Standards Needed for Medical Equipment Suppliers*. This report was critical of verifications Medicare uses to ensure suppliers meet standards before submitting claims. The report estimated that Medicare improperly paid \$900 million in fiscal year 2004 for durable medical equipment. This was due in part to fraud by suppliers.

We reaffirm our finding that without ensuring Medicaid claim reimbursements satisfy documentation requirements, we do not have reasonable assurance that all expenditures for power wheelchairs are eligible for reimbursement by the Medicaid program.

### **Applicable Laws and Regulations**

WAC 388-543-1100 Scope of coverage and coverage limitations for DME and related supplies, prosthetics, orthotics, medical supplies and related services, states:

The federal government deems **durable medical equipment (DME)** and related supplies, **prosthetics, orthotics,** and **medical supplies** as optional services under the **Medicaid** program, except when prescribed as an integral part of an approved plan of treatment under the home health program or required under the early and periodic screening, diagnosis and treatment (**EPSDT**) program. The **department** may reduce or eliminate coverage for optional services, consistent with legislative appropriations.

(1) The medical assistance administration (MAA) covers DME and related supplies, prosthetics, orthotics, medical supplies, related services, repairs and labor charges when all of the following apply. They must be:

- (a) Within the scope of an eligible client's medical care program
- (b) Within accepted medical or physical medicine community standards of practice;
- (c) Prior authorized as described in WAC 388-543-1600;
- (d) Prescribed by a qualified **provider**, acting within the scope of the provider's practice. The prescription must state the specific item or service requested, diagnosis, prognosis, estimated length of need (weeks or months, not to exceed six months before being reevaluated), and quantity;
- (e) Billed to the department as the payer of last resort only. MAA does not pay first and then collect from Medicare;

(f) **Medically necessary** as defined in WAC 388-500-0005. The provider or client must submit sufficient objective evidence to establish medical necessity. Information used to establish medical necessity includes, but is not limited to, the following:

(10) MAA covers the following categories of medical equipment and supplies only when they are medically necessary, prescribed by a physician or other licensed practitioner of the healing arts, are within the scope of his or her practice as defined by state law, and are subject to the provisions of this chapter and related WACs:

(a) Equipment and supplies prescribed in accordance with an approved plan of treatment under the home health program;

(b) Wheelchairs and other DME;

WAC 388-543-1225 states:

**Provider requirements.**

(1) Providers and suppliers of durable medical equipment (DME) and related supplies, prosthetics and orthotics, medical supplies and related items must meet the general provider documentation and record retention requirements in WAC 388-502-0020. In addition to these requirements, the medical assistance administration (MAA) requires providers to furnish, upon request, documentation of proof of delivery as stated in subsections (2) and (3) of this section.

(2) When a provider delivers an item directly to the client or the client's authorized representative, the provider must be able to furnish proof of delivery when MAA requests that information. All of the following apply:

(a) MAA requires a delivery slip as proof of delivery, and it must:

(i) Be signed and dated by the client or the client's authorized representative (the date of signature must be the date the item was received);

(ii) Include the client's name and a detailed description of the item(s) delivered, including the quantity and brand name; . . . .

WAC 388-502-0100 states in part:

**General conditions of payment.**

(1) The department reimburses for medical services furnished to an eligible client when all of the following apply:

(a) The service is within the scope of care of the client's medical assistance program;

(b) The service is medically or dentally necessary;

(c) The service is properly authorized;

WAC 388-543-1100 states in part:

**Scope of coverage and coverage limitations for DME and related supplies, prosthetics, orthotics, medical supplies and related services.**

The federal government deems durable medical equipment (DME) and related supplies, prosthetics, orthotics, and medical supplies as optional services under the Medicaid program, except when prescribed as an integral part of an approved plan of treatment under the home health

program or required under the early and periodic screening, diagnosis and treatment (EPSDT) program. The department may reduce or eliminate coverage for optional services, consistent with legislative appropriations.

(1) The medical assistance administration (MAA) covers DME and related supplies, prosthetics, orthotics, medical supplies, related services, repairs and labor charges when all of the following apply. They must be:

- (a) Within the scope of an eligible client's medical care program;
- (b) Within accepted medical or physical medicine community standards of practice;
- (c) Prior authorized as described in WAC 388-543-1600;
- (d) Prescribed by a qualified provider, acting within the scope of the provider's practice. The prescription must state the specific item or service requested, diagnosis, prognosis, estimated length of need (weeks or months, not to exceed six months before being reevaluated), and quantity;
- (e) Billed to the department as the payer of last resort only. MAA does not pay first and then collect from Medicare; . . .

(10) MAA covers the following categories of medical equipment and supplies only when they are medically necessary, prescribed by a physician or other licensed practitioner of the healing arts, are within the scope of his or her practice as defined by state law, and are subject to the provisions of this chapter and related WACs:

- (a) Equipment and supplies prescribed in accordance with an approved plan of treatment under the home health program;
- (b) Wheelchairs and other DME . . . .

**05-24 The Department of Social and Health Services, Office of Financial Recovery and Health and Recovery Services Administration (formerly Medical Assistance Administration), does not have adequate internal controls to ensure that final settlement amounts are refunded to the federal government and in a timely manner.**

### **Background**

The federal Medicaid program requires that quarterly federal payments to states must be adjusted for prior overpayments or underpayments. In the event of overpayment, federal regulations require the adjustment be made within 60 days of discovery of the overpayment or within 60 days of when the receivable was established, whichever is earlier. The Department notifies the provider of the overpayment before the receivable is established.

States must refund the federal share of overpayments subject to recovery by reducing the amount claimed for the quarter. If the state is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectible, the state does not have to refund the overpayment.

### **Description of Condition**

For our audit of fiscal year 2005, we wanted to determine if the Administration had controls that would ensure the federal portion of provider overpayments was refunded to the federal government, as regulations require. We obtained a list of fiscal year 2004 overpayments from Health and Recovery Services Administration's (formerly Medical Assistance Administration), Office of Payment Review and Audit. We also obtained a list of amounts due that the Office of Attorney General's Medicaid Fraud Control Unit established in 2003. We wanted to obtain both lists to determine the consistency in which these obligations were included on the claim form filed with the Medicaid program.

We found significant internal control weaknesses. We found the Office of Financial Recovery establishes a receivable based on the date it receives an audit report, rather than the date the receivable is discovered by the Administration, as federal law requires. Also, there appears to be confusion on the amount of recoupment that should be set up as a receivable by the Office of Financial Recovery. This is because the Administration first sends the Office a draft version of the audit report sent to the provider and sometime later the final audit report. We found the Department refunds the amount reported in the draft, in which the amount to be recouped often is significantly higher than the amount noted in the final report. This practice causes erroneous amounts to be sent to the federal government. For example, in one instance, the draft reported the provider owed \$17,845,324 while the final audit report required that the provider pay only \$376,591. The amounts reported in the draft report are reversed in later months but the Department does not have procedures to refund to the federal government the final settlement amount if a draft report was first issued.

We reviewed 18 overpayments totaling \$1,885,315 to determine if the federal portion of the final settlement amount was refunded to the federal government in a timely manner. We found eight payments (54 percent) were not refunded and seven payments (39 percent) were not refunded in a timely manner.

### **Cause of Condition**

- The Department believes the federal portion of the overpayment must be refunded within 60 days of being established as a receivable rather than within 60 days of discovery, as the law requires.
- Administrations within the Department do not communicate regarding Medicaid overpayments.
- Overpayments are not tracked. No one office or person maintains a list of identified Medicaid overpayments and whether they are collected. The Office of Financial Recovery does not know what overpayments are due from areas within the Department or from the Medicaid Fraud Control Unit.

### **Effect of Condition**

- \$479,126 is the federal portion of overpayments that was not refunded to the federal government and thus is questioned. \$358,709 of the overpayments, the federal portion of which is \$181,549, was refunded, but not timely.
- The inadequate internal control system does not offer reasonable assurance that refunds of the federal portion of all Medicaid overpayments would occur within 60 days from the date of discovery as required.
- Due to the lack of communication between Administrations regarding Medicaid overpayments and the differences between the draft and final versions of the audit report, we have no reasonable assurance that overpayments will be refunded to the federal government at all.

### **Recommendation**

We recommend the Department:

- Comply with the federal requirement that it refund the federal share of overpayments at the end of the 60-day period following discovery.
- Health and Recovery Services Administration's Office of Payment Review and Audits send the final version of audit reports to Office of Financial Recovery.
- Work with the U.S. Department of Health and Human Services to determine if the federal portion of un-refunded overpayments charged to Medicaid should be returned.

### **Department's Response**

*The Department partially concurs with this finding. The following are responses to each condition in the finding:*

- *The Department concurs with the cited condition that the Department was refunding the federal share of overpayments within 60 days of being established as a receivable rather than within 60 days of discovery. The Department is in the process of finalizing new policies and procedures that will ensure the federal share of overpayments are remitted to the Federal government pursuant to Code of Federal Regulations (CFR) 433.312.*
- *The Department partially concurs with the cited condition that the Department does not communicate regarding Medicaid Overpayments. In the past, the Administrations did communicate with each other, however, the communication was informal and on a case by case basis. Within the last few months, staff from the Office of Financial Recovery and the Health and Recovery Services Administration began meeting monthly to monitor the overpayment process.*
- *The Department does not concur with the cited condition that the Department does not track overpayments. The Office of Financial Recovery has exclusive authority to manage and track all Medicaid overpayments and the Office maintains a subsidiary ledger of all Medicaid overpayments.*

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

The Department has indicated that within the last few months staff have begun meeting monthly to monitor the overpayment process. This was never brought to our attention during our audit and the Department has given us no evidence to substantiate these representations. We will review any corrective action that the Department has made to this condition during our next audit.

We are aware that the Office of Financial Recovery tracks all overpayments that it knows of from establishment of the receivable through the repayment by the provider to the Department of Social and Health Services. However, the Office is not tracking that the recouped overpayments are refunded to the federal government or that the correct amount is refunded.

We reaffirm our finding and our recommendation that the Department track overpayments through the entire refunding process and ensure that the federal government receives the proper refund amount in a timely manner.

### **Applicable Laws and Regulations**

[Code of Federal Regulations]  
[Title 12, Volume 1]  
[Revised as of January 1, 2003]  
From the U.S. Government Printing Office via GPO Access  
[CITE: 42CFR433.312]

Subpart F--Refunding of Federal Share of Medicaid Overpayments to Providers, Sec. 433.312 Basic requirements for refunds, states:

(a) Basic rules.

(1) Except as provided in paragraph (b) of this section, the Medicaid agency has 60 days from the date of discovery of an overpayment to a provider to recover or seek to recover the overpayment before the Federal share must be refunded to CMS.

(2) The agency must refund the Federal share of overpayments at the end of the 60-day period following discovery in accordance with the requirements of this subpart, whether or not the State has recovered the overpayment from the provider.

(b) Exception.

The agency is not required to refund the Federal share of an overpayment made to a provider when the State is unable to recover the overpayment amount because the provider has been determined bankrupt or out of business in accordance with Sec. 433.318.

(c) Applicability.

(1) The requirements of this subpart apply to overpayments made to Medicaid providers that occur and are discovered in any quarter that begins on or after October 1, 1985.

(2) The date upon which an overpayment occurs is the date upon which a State, using its normal method of reimbursement for a particular class of provider (e.g., check, interfund transfer), makes the payment involving unallowable costs to a provider.

Subpart F--Refunding of Federal Share of Medicaid Overpayments to Providers, 42CFR433.318, Overpayments involving providers who are bankrupt or out of business, states in part:

(a) Basic rules.

(1) The agency is not required to refund the Federal share of an overpayment made to a provider as required by Sec. 433.312(a) to the extent that the State is unable to recover the overpayment because the provider has been determined bankrupt or out of business in accordance with the provisions of this section . . .

(b) Overpayment debts that the State need not refund. Overpayments are considered debts that the State is unable to recover within the 60-day period following discovery if the following criteria are met:

- (1) The provider has filed for bankruptcy, as specified in paragraph (c) of this section; or
- (2) The provider has gone out of business and the State is unable to locate the provider and its assets, as specified in paragraph (d) of this section . . .

(e) Circumstances requiring refunds. If the 60-day recovery period has expired before an overpayment is found to be uncollectible under the provisions of this section, if the State recovers an overpayment amount under a court-approved discharge of bankruptcy, or if a bankruptcy petition is denied, the agency must refund the Federal share of the overpayment in accordance with the procedures specified in Sec. 433.320.

Subpart F--Refunding of Federal Share of Medicaid Overpayments to Providers 42CFR 433.320, Procedures for refunds to CMS, state in part:

(a) Basic requirements.

- (1) The agency must refund the Federal share of overpayments that are subject to recovery to CMS through a credit on its Quarterly Statement of Expenditures (Form CMS-64).
- (2) The Federal share of overpayments subject to recovery must be credited on the Form CMS-64 report submitted for the quarter in which the 60-day period following discovery, established in accordance with Sec. 433.316, ends.
- (3) A credit on the Form CMS-64 must be made whether or not the overpayment has been recovered by the State from the provider.

(b) Effect of reporting collections and submitting reduced expenditure claims.

- (1) The State is not required to refund the Federal share of an overpayment when the State reports a collection or submits an expenditure claim reduced by a discrete amount to recover an overpayment prior to the end of the 60-day period following discovery.
- (2) The State is not required to report on the Form CMS-64 any collections made on overpayment amounts for which the Federal share has been refunded previously.
- (3) If a State has refunded the Federal share of an overpayment as required under this subpart and the State subsequently makes recovery by reducing future provider payments by a discrete amount, the State need not reflect that reduction in its claim for Federal financial participation . . .

(d) Expiration of 60-day recovery period. If an overpayment has not been determined uncollectible in accordance with the requirements of Sec. 433.318 at the end of the 60-day period following discovery of the overpayment, the agency must refund the Federal share of the overpayment to CMS in accordance with the procedures specified in paragraph (a) of this section.

**05-25 The Department of Social and Health Services' Office of Accounting Services does not have adequate internal controls to ensure the federal portion of uncashed and cancelled warrants is refunded at the appropriate rate to the federal Medicaid Program.**

**Background**

The state is required to pay part of the costs of providing health care under the Medicaid Program. Different state participation rates apply to medical assistance payments. Federal financial participation rates also differ depending on the types of costs incurred in administering the Medicaid Program, such as administration, family planning, training, computer and other costs.

Approximately 80 percent of Medicaid payments in Washington State are made with warrants. Some of the warrants to providers are never cashed and some are cancelled by the Department due to errors. At the end of each calendar quarter, the state must identify which warrants were cancelled or remain uncashed for more than 180 days. The state must refund, quarterly, the federal portion of those warrants by adjusting the electronic claim for reimbursement. If the state does not refund the appropriate amount, it will be disallowed.

The federal portion initially received for a particular Medicaid expenditure is determined by the type of service that was provided. This will in turn determine the federal financial participation rate, also called the Federal Medicaid Assistance Percentage. These rates are set by the Centers for Medicare and Medicaid Services.

**Description of Condition**

The electronic claim the state submits is pre-programmed with the appropriate percentage for each particular type of expenditure. As expenditures are entered into the report by the Department, the correct reimbursements are automatically calculated.

However, automatic processing is not available for refunds the state must pay to the federal government for uncashed and cancelled warrants. It is the responsibility of the state to determine the appropriate percentage.

We reviewed 876 cancelled and uncashed warrants, from July 2003 through February 2005, to determine if the percentage was correct for each warrant. We found:

**Results by Warrants Processed**

<b>Time Period Tested</b>	<b>Number of Warrants Tested</b>	<b>Warrants Processed with Correct FMAP</b>	<b>Warrants Processed with Incorrect FMAP</b>	<b>Amount Refunded Incorrectly</b>
07/03 - 06/04	566	136	430	(14,309.31)
07/04 - 12/04	176	0	176	5,852.83
07/04 - 02/05	134	100	34	887.95
<b>Totals</b>	<b>876</b>	<b>236</b>	<b>640</b>	<b>(7,568.53)</b>

### Results by FMAP

Time Period Tested	Number of Warrants Tested	FMAP Used to Claim Reimbursement on Expenditure	FMAP Used to Process Reimbursement Refund	Amount Refunded Incorrectly
07/03 - 06/04	85	50.00%	52.95%	(15,197.27)
	345	53.32%	52.95%	887.96
	136	52.95%	52.95%	0.00
07/04 - 12/04	176	52.95%	50.00%	5,852.83
07/04 - 02/05	134	52.95%	50.00%	887.95
<b>Totals</b>	<b>876</b>			<b>(7568.53)</b>

#### Cause of Condition

The Department has no procedures to ensure the federal portion of cancelled and uncashed warrants is refunded at the correct percentage. The Department reported that its technology staff is unable to change the computer program that reports the correct percentage for cancelled warrants.

#### Effect of Condition

The federal portion of uncashed and cancelled warrants is being refunded at an erroneous match rate. For 876 warrants, only 236 were processed using the correct percentage. The remaining 640 warrants (73 percent of those tested) were processed using an inaccurate percentage. For the warrants we reviewed, we found the Department overpaid the federal government \$7,569.

#### Recommendation

We recommend that the Department establish procedures to ensure the correct percentage is used for all amounts refunded to the federal government.

#### Department's Response

*The Department concurs with this finding.*

*Per the recommendation of the State Auditor, the Office of Accounting Services has implemented a process that ensures the correct federal/state allocation for Medicaid warrants is utilized, thus ensuring the warrant is cancelled at the correct federal percentage. The implementation of the process occurred in February 2006.*

*Prior to February 2006, staff was not aware that the allocation code for which a payment was made would not necessarily be the allocation code with which the warrant should be cancelled. The Medicaid program is the only federal program that requires a five year adjustment history. Given that warrants are cancelled 180 days after issuance, the situations where only Medicaid warrants would be cancelled with an incorrect rate is limited to a the first six months of the Federal Fiscal year. In addition, there was no change in the federal rate between the last quarter of Federal Fiscal year 2004, all of Federal Fiscal year 2005 and Federal Fiscal year 2006.*

#### Auditor's Concluding Remarks

We appreciate the steps the Department is taking to resolve this issue. We will review the condition during our next audit.

## Applicable Laws and Regulations

Title 42, Code of Federal Regulations, Section 433.40, states in part:

(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.

Title 42, Code of Federal Regulations, Section 433.40, states in part:

(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 . . .
- (3) If the State does not refund the appropriate amount as specified in paragraph (c) (2) of this section, the amount will be disallowed.

Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, states in Attachment A, Section C.4.a, states:

Applicable credits refer to those receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

**05-26 The Department of Social and Health Services' Office of Accounting Services does not have sufficient controls to ensure that the federal portion of uncashed warrants is refunded to the Medicaid Program in a timely manner.**

**Background**

Approximately 80 percent of Medicaid payments are made with warrants issued by the Medical Assistance Administration. Some of the warrants to providers are never cashed, largely because the warrants cannot be delivered due to address changes. If a warrant is not cashed by 180 days after it was issued, it is no longer regarded as an allowable federal expenditure even though the state still has a liability to the vendor. The amount that was provided by the federal government must be refunded to Medicaid in the quarter the warrant was cancelled. Interest penalties accrue on transactions greater than \$50,000 that are not refunded within the appropriate quarter.

The State Treasurer's Office regularly updates its computer data to identify uncashed warrants that have reached the 180-day limit and that will be automatically cancelled by the Treasurer. The Department's Office of Accounting Services is responsible for checking this information periodically and canceling the warrants through the state's Agency Financial Reporting System.

The Medical Assistance Administration is responsible for processing erroneous warrants through the Medicaid Management Information System and creating a tape which is sent to the Office of Accounting Services. The Office is responsible for creating the automated journal voucher, which will cancel the warrant in the state's Agency Financial Reporting System. The Office is to notify the State Treasurer's Office of the cancellation.

**Description of Condition**

In our audit of state fiscal year 2004, we found that the Office of Accounting Services had not reviewed the Treasurer's data and had not processed refunds from uncashed warrants since June 2003. The unprocessed refunds totaled \$843,294. At that time, the Department was 244 days late in refunding the federal portion of \$421,647 to the federal Medicaid Program and had accrued interest penalties. We found the cause of the condition was that one employee was primarily responsible for the refunding process and that this employee was away for an extended period of time.

During our audit for state fiscal year 2005, we found improvement in some of the Office's refunding procedures; however, we still found weaknesses. For the period from July 2004 through December 2004, we selected 212 warrants that had exceeded the 180-day limit. These warrants totaled \$198,401, of which the federal portion was \$61,316. We attempted to determine whether the warrants were processed and whether the federal portion was refunded to the Medicaid Program in the correct quarter. We found all warrants were processed and evidence that the federal portion was repaid to the Medicaid Program. However only 29 of them, of which the federal portion totaled \$12,727, were refunded in the correct quarter.

In our audit of 2004, we recommended that the Department cross-train staff in all aspects of warrant cancellation and the refunding process. In our audit for the current year we found these changes had not been made. We found one employee was primarily responsible for performing this function. Our audit work in this area was initially delayed because that individual was on leave.

**Cause of Condition**

The refund process is time-consuming. One person is primarily responsible and sufficiently trained to perform all aspects of the refunding process for both Medicaid and non-Medicaid programs. When this employee is not in the Office, refunding activity does not occur.

**Effect of Condition**

The Department has not refunded \$48,589 to the federal Medicaid Program in the correct quarter.

## **Recommendation**

We recommend the Department:

- Cross train staff in all aspects of warrant cancellation and the refunding process.
- Improve the refunding process so that federal funds are repaid to the federal government in the correct quarter.
- Establish effective monitoring procedures to ensure all warrants are processed in a timely manner.

## **Department's Response**

*The Department concurs with this finding.*

*The Office of Accounting Services (Office) believes we have appropriate staff to address this function and have cross-trained a sufficient number of individuals to ensure adequate coverage for processing the Statute of Limitation (SOL) warrants. The Office has also improved its monitoring procedures that provide increased management oversight to ensure staffs are processing the transactions in a timely and accurate manner.*

*During the audit period, the Office had identified and implemented corrective action steps needed to address the finding from the prior year audit. During the on-site audit period, the primary individual assigned to this function was on annual leave and the secondary individual was out on extended medical leave. Due to this situation and other staffing changes in the Office, two additional staffs were assigned to the SOL process in February 2005. This allowed the Office to cross train additional staff and bring the Federal repayment process current for the last three federal fiscal quarters of FFY05 and forward. The Office will continue to develop effective monitoring procedures to identify and ensure SOL warrants are properly addressed so that refunds to federal programs will occur in a timely manner.*

## **Auditor's Concluding Remarks**

We appreciate the steps the Department is taking to resolve this issue. We will review the condition during our next audit.

## **Applicable Laws and Regulations**

Title 42, Code of Federal Regulations, Section 433.40, states in part:

### (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 . . .

(3) If the State does not refund the appropriate amount as specified in paragraph (c)(2) of this section, the amount will be disallowed.

Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, states in Attachment A, Section C.4.a:

Applicable credits refer to those receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

**05-27 The Department of Social and Health Services, Aging and Disability Services Administration and Health and Recovery Services Administration (formerly Medical Assistance Administration), has not set up an effective system to ensure Medicaid payments are not being made to nursing homes that are not in compliance with federally mandated health and safety standards.**

### **Background**

Under the Medicaid program, states may receive federal financial assistance for patients receiving services in nursing homes. To qualify for federal participation, nursing homes must meet certain health and safety standards.

Although the Department's Health and Recovery Services Administration has primary responsibility for ensuring that ineligible providers are not reimbursed, the Department's Aging and Disability Services Administration has primary responsibility for conducting health and safety inspections at nursing homes. If Aging and Disability Services finds a nursing home is not meeting federal standards, it notifies the U.S. Department of Health and Human Services, which then sends a denial of payment notice to the facility and to the Aging and Disability Services and Health and Recovery Services Administration. This notice prohibits the payment of federal funds for any new Medicaid admissions to the facility until the condition is corrected.

### **Description of Condition**

During our 2002 and 2003 audits, we found neither Aging and Disability Services nor Health and Recovery Services Administrations had a complete record of nursing homes placed in denial-of-payment status. We compared both Administrations' records with the list maintained by the federal government and found Aging and Disability Services to have a 14 percent discrepancy rate in 2002 and Medical Assistance to have 33 percent and 53 percent discrepancy rates in 2002 and 2003, respectively. Additionally, we found Health and Recovery Services Administration did not monitor to ensure nursing homes in denial-of-payment status were not paid for new Medicaid admissions.

During our 2004 audit, we attempted to follow up on this issue as federal regulations require. However, we encountered difficulties in obtaining access to information. We were not allowed to access the Aging and Disabilities Services Administration's Denial-of-Payment Log and so could not complete our review. Also, we were not permitted to have one-on-one access to Health and Recovery Services Administration's line staff to complete our assessment of internal controls in that area.

In 2002 and 2003, the Department reported it had instituted a corrective action plan in which Health and Recovery Services Administration would track the denial-of-payment notices directly with the federal government rather than relying on Aging and Disability Services, as it had in the past.

During our 2005 audit, we sought to determine whether direct communications between the federal government and Health and Recovery Services Administration had improved the accuracy of the Administration's records. Health and Recovery Services Administration staff reported difficulties in obtaining timely notification for facilities in denial-of-payment status from the federal government. Health and Recovery Services Administration also reported it tried to obtain the information from Aging and Disabilities Services but was unable to do so. Staff conceded many errors are made and they often must attempt to obtain the notification letters directly from the nursing homes.

Health and Recovery Services Administration provided us with letters that the federal government had sent to the nursing homes informing them of noncompliance with standards and the dates that the facilities were to be placed in denial of payment. We found 25 percent of the entries in the federal government's log were not consistent with letters they had sent to the facilities.

### **Cause of Condition**

Health and Recovery Services Administration does not have an effective, reliable means of receiving notification that a nursing home has been placed in denial-of-payment status. Additionally, the denial of payment information in the federal government's logs is not consistent with information given to the nursing homes.

### **Effect of Condition**

The Department's controls will not prevent payment of federal Medicaid funds to nursing homes that are not in compliance with federal health and safety regulations. We found that the Department paid \$6,138 for three clients in the 14 nursing homes we examined.

### **Recommendation**

We recommend:

The Centers for Medicare and Medicaid Services ensure:

- Timely notification to the Department of facilities in denial of payment.
- Its records are consistent with the information given to the nursing homes.

The Department:

- Continues to improve its system for tracking the denial-of-payment notices issued by the federal government.
- Monitor the allowability of payments to nursing homes that are in denial of payment status.

### **Department's Response**

*The Department agrees with the audit finding and will continue to pursue more effective means of receiving timely notifications. Although not perfect, the Department has been routinely receiving E-mail notifications of denial of payment situations from the Centers for Medicare and Medicaid Services (CMS) in lieu of relying on receipt of notifications through the regular mail system and feel there has been some improvement since this was implemented in calendar year 2005. On November 1, 2005, the State Auditor's Office (SAO) sent an E-mail to our office which included information provided by CMS (E-mail dated August 12, 2005) providing the name of a contact to potentially obtain access to the ASPEN Enforcement Management (AEM) system. The Department did initiate contact on November 5, 2005 and were told that they would check into our request and get back to us. During this conversation some issues were raised by CMS. ASPEN is not a stand alone system, it is an Oracle driven database that has many components and ASPEN is only a portion of the system. The Department was told that our request is being reviewed (checking to see if there is a data use agreement so that information can be shared with State Medicaid Agencies). They have indicated that if it is possible there would be significant staff training associated with this access and there may be a cost involved.*

*The Department will pursue conversations with CMS to see if can obtain information more reliably and more quickly.*

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

We appreciate the steps the Department is taking to resolve this issue. We will review the condition during our next audit.

### **Applicable Laws and Regulations**

The Office of Management and Budget's Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .500(e) states:

The auditor shall follow-up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee in accordance with section .315(b) . . . .

## Compliance

Title 42 of the Code of Federal Regulations, Section 442.12 (a), states:

The Medicaid agency may not execute a provider agreement or make Medicaid payments to a facility unless the Secretary or the State survey agency has certified the facility.

42 CFR 483.1 describes all of the conditions which must be met before certification can take place.

42 CFR 488.454 (b) states:

In the cases of State monitoring and denial of payment imposed for repeated substandard quality of care, remedies continue until

- (1) CMS or the State determines that the facility has achieved substantial compliance and is capable of remaining in substantial compliance; or
- (2) CMS or the State terminates the provider agreement.

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

The auditee shall:

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

**05-28 The Department of Social and Health Services paid providers with Medicaid funds through the Social Services Payment System for services to clients using Social Security numbers belonging to deceased persons.**

**Background**

While most Department of Social and Health Services payments to providers from Medicaid funds are processed through the Medicaid Management Information System, some are processed through the Social Services Payment System (SSPS). Medicaid program services paid through SSPS include the Community Options Program Entry System, Supported Living Services and Medicaid Personal Care. Eligibility for these Medicaid programs is based on many factors; however, in general, a valid Social Security number is required, even for children.

In our fiscal year 2004 Medicaid Report and State of Washington Single Audit Report, we described concerns about payments to providers for clients whose Social Security numbers were the same as others reported to be deceased but whose names did not match.

**Description of Condition**

During this audit, we selected all SSPS records that showed payments totaling more than \$300 for clients whose Social Security numbers matched those of deceased persons but whose names did not match. We found 491 exceptions indicating possible identity theft of a deceased person and potential noncompliance with Medicaid requirements.

Of the 491 reviewed, we found:

- Use of a deceased relative's Social Security number: 321 exceptions (65 percent).
- Apparent identity theft of a deceased unrelated person's Social Security number: 90 exceptions (18 percent).
- Data entry error by the Department: 83 exceptions (17 percent).

We shared our detailed results with the Department and requested any additional information it had regarding the exceptions. The Department stated that these Social Security numbers are correct in its Automated Client Eligibility System (ACES) but incorrect in the SSPS. However, data in ACES can be changed at any time, with no history maintained of these changes. Therefore, we have no assurance that ACES Social Security numbers were actually correct and supported the payments when made, or they were changed after we brought this information to the attention of the Department. Since SSPS is the payment system used, we believe its data to support payments should be accurate.

**Cause of Condition**

The Department has not made verification of Social Security numbers a high priority.

**Effect of Condition**

The Medicaid program is unnecessarily susceptible to loss because the Department cannot identify, in a timely manner, clients using Social Security numbers of deceased persons. Questioned costs as a result of this issue include federal funds of \$2,232,301 and state funds of \$ 2,257,783, for a total of \$4,490,084.

**Recommendation**

We recommend the Department:

- Require staff to verify accuracy of Social Security numbers for those Medicaid clients identified in federal regulations.

- Work with the U.S. Department of Health and Human Services to determine if any unallowable costs charged to Medicaid must be reimbursed.
- Ensure staff members understand the new state law (RCW 9.35.020), which took effect July 1, 2004, and which defines first-degree identity theft as the use of false identification to obtain anything of value in an aggregate of \$1,500.

In addition, we recommend the Department forward the instances of apparent identity theft to its own Post-Payment Review Office or to the appropriate legal authorities.

## **Department's Response**

### Require staff to verify Social Security Numbers for all Medicaid Clients

*The auditor has determined that SSN's correctly identified in ACES are not sufficient for preventing identity theft because "data in ACES can be changed at any time, with no history maintained of these changes. Therefore, we have no assurance that ACES Social Security numbers were actually correct and supported the payments when made or if they were changed after we brought this information to the attention of the Department."*

*In fact, changes to SSN's are recorded in ACES on the "DEM 1" screen. The changed SSN, the financial worker's ID, and the date of the change are recorded in the "SSNA" screen, and are maintained as a record in ACES. Also included in the "SSNA" screen are the effective date for financial payments associated with the revised SSN, and verification (V) and federal verification (FV) codes that show the current status of the SSN based on the verification processes described below.*

*Washington Administrative Code (WAC) 388-476-0005 defines the Department's current Social Security number requirements for medical eligibility, and can be found in the Department's A-Z Manual at <http://www1.dshs.wa.gov/esa/EAZManual/Sections/SSN.htm>. Section 3 states "Assistance will not be delayed, denied, or terminated pending the issuance of an SSN by the Social Security Administration (SSA). However, a person who does not comply with these requirements is not eligible for assistance".*

*Verification procedures are described under the section titled "Clarifying Information". SSNs are automatically verified through a cross-match with the SSA Numident file, once the data is entered into ACES.*

*Section 3 under "Clarifying Information" states, "If a current and valid SSN is not available, the department is responsible to assist a client in making an application for an SSN." SSN discrepancies in Numident generate alerts to the workers as described in the ACES User Manual at [http://www1.dshs.wa.gov/esa/acesman/Sections/alerts/alert\\_188.htm](http://www1.dshs.wa.gov/esa/acesman/Sections/alerts/alert_188.htm). Alert "253" describes alerts to workers when there is an SSN discrepancy in State Data Exchange (SDX), Beneficiary Data Exchange (BENDEX) or Numident.*

*Furthermore, when the Home and Community Services Quality Assurance Unit reviews client files to confirm financial eligibility, they check to see that the SSN recorded in SSPS is the same as the SSN recorded in ACES. They report discrepancies, using ACES as the correct record of the SSN.*

*Most of the errors identified by the auditor are either typos, or the spouse of the deceased person receiving valid services under a correct ACES SSN that is incorrect in SSPS. It does not appear that payments for services were made in error, even though SSN's recorded in SSPS may not reconcile to ACES. The SSPS system has no capability to update or revise SSN's, and it cannot be updated to reflect the establishment or collection of overpayments; for these reasons, it cannot function as the system of record for client SSN's or payments made based on an SSN.*

*The problems we face with the SSPS system will be corrected in the new "Provider One" system, when all payments made in SSPS will become part of the new Medicaid Management Information System payment system. This is scheduled to occur in 2008. At that time, all medical and social services payments will be made from the same system, and will use the same ACES SSN verification processes described above.*

Ensure staff understand the new state law (RCW 9.35.020)

A management bulletin was posted for all staff on June 2, 2005, which included a copy of Revised Code of Washington (RCW) 9.35.020.

Forward instances of apparent identify theft

Any instances of apparent identify theft will be referred appropriately. The Department's Payment Review Program re-runs algorithms quarterly and findings are referred to the Office of Financial Recovery or the Medicaid Fraud Control Unit for recovery. No instances of identity theft were found as a result of last year's audit.

**Auditor's Concluding Remarks**

We reaffirm our finding, as SSPS was the system used to make the payments questioned in this year's finding. We continue to recommend that the Department use procedures to verify accuracy of the Social Security numbers that are recorded in SSPS until the new system is in place.

**Applicable Laws and Regulations**

The Code of Federal Regulations is explicit regarding obtaining and verifying Social Security numbers as a condition of Medicaid eligibility. 42 CFR 435.910 (a) specifically states in part:

The agency must require, as a condition of eligibility that each individual (including children) requesting Medicaid services furnish each of his or her social security numbers (SSNs).

42 CFR 435.910 (g) states:

The agency must verify each SSN of each applicant and recipient with SSA, as prescribed by the Commissioner, to insure that each SSN furnished was issued to that individual and to determine whether any others were issued.

If a Medicaid applicant cannot remember or has not been issued a Social Security number, 42 CFR 435.910 (e) (1-3) states that the agency must:

- (1) Assist the applicant in completing an application for an SSN;
- (2) Obtain evidence required under SSA regulations to establish the age, the citizenship or alien status, and the true identity of the applicant; and
- (3) Either send the application to SSA or, if there is evidence that the applicant has previously been issued a SSN, request SSA to furnish the number.

42 CFR 435.916 (a) states in part:

The agency must redetermine the eligibility of Medicaid recipients, with respect to circumstances that may change, at least every 12 months . . .

42 CFR 435.920 states:

- (a) In redetermining eligibility, the agency must review case records to determine whether they contain the recipient's SSN or, in the case of families, each family member's SSN.
- (b) If the case record does not contain the required SSNs, the agency must require the recipient to furnish them and meet other requirements of Sec. 435.910.

(c) For any recipient whose SSN was established as part of the case record without evidence required under the SSA regulations as to age, citizenship, alien status, or true identity, the agency must obtain verification of these factors in accordance with Sec. 435.910.

The Medicaid State Plan incorporates the above references as applicable to Washington State's coverage and eligibility criteria when it states the following:

The Medicaid agency meets all requirements of 42 CFR Part 435, Subpart J for processing applications, determining eligibility, and furnishing Medicaid.

RCW 9.35.020 states in part:

(3) No person may knowingly obtain, possess, use, or transfer a means of identification or financial information of another person, living or dead, with the intent to commit, or to aid or abet, any crime.

Violation of this section when the accused or an accomplice uses the victim's means of identification or financial information and obtains an aggregate total of credit, money, goods, services, or anything else of value in excess of one thousand five hundred dollars in value shall constitute identity theft in the first degree . . . .

**05-29 The Department of Social and Health Services does not have adequate internal controls over the processing of expenditures through the Agency Financial Reporting System.**

**Background**

The Agency Financial Reporting System is the state of Washington's official accounting system. State agencies are required to enter their financial data, including accounts payable, into this System. The System has security features that, when used effectively, can reduce the risk of error or fraud in financial transactions.

Designated security administrators in each agency are responsible for determining the level of access granted to individuals within the agency and for removing access when appropriate. Access controls are available within the System to preclude any one person from having total control over a particular type of transaction.

We identified and reported internal control weaknesses related to access to the System in two previous Statewide Accountability Reports: Finding 03-15 in the fiscal year 2003 report and Finding 04-17 in the fiscal year 2004 report.

**Description of Condition**

This year we again reviewed to determine if the Department had improved access controls. We reviewed the types of System access the Department has granted to employees with accounts payable functions and found the Department still does not use the System's internal control features that allow for an adequate segregation of duties. Access to the accounts payable function is not secure, as described below.

- a. We found that 475 Department employees have incompatible duties, with the capability of entering and approving payment batches, bypassing management review. All of these employees could process a fictitious payment without oversight or approval by anyone.
- b. In addition, all 475 employees are capable of processing payments to unauthorized vendors by using certain designated codes intended for one-time, rather than recurring, payments. For fiscal year 2005, payments processed through these codes amounted to \$51,972,913. Such payments do not require that the vendor be formally and independently approved and established in the System. Instead, these 475 employees can set up any vendors they wish in the System and then generate payments to them with these codes. This condition creates a risk that employees could set themselves up as vendors for these one-time payments.
- c. We also noted numerous instances in which one-time payment codes were used for multiple payments to the same vendor. For instance, during the fiscal year the Department issued 46 warrants to one particular legitimate vendor using these codes. This condition increases the risk described in item b.
- d. The Department's System security administrators rely on management in the hundreds of Departmental offices to notify them of requests for access, changes in access, and terminations of access. Currently, this communication is not successful. We found access to the accounts payable function through the mainframe was still in place for four of the 10 former employees whose records we reviewed in detail.

**Cause of Condition**

The Department stated in its response last year that it did not concur with our concerns or recommendations. It believed it has adequate compensating controls for the weaknesses we found. We analyzed the Department's corrective action plan for the fiscal year 2004 finding and concluded that the controls it described as current did not adequately alleviate the risks.

However, the Department is establishing written policies and procedures that require an adequate separation of duties and timely access changes in any of its offices with an accounts payable function. We will review the adequacy of these policies and procedures during our next audit.

## Effect of Condition

These control weaknesses increase to a high degree the risk that error or misappropriation could occur and not be detected by management in a timely manner, if at all.

## Recommendation

We again recommend the Department develop and follow written policies and procedures for its accounts payable function that would ensure:

- An adequate separation of duties for those involved in making payments in the System.
- Timely changes to and removals from System access when appropriate.

## Department's Response

*The Department partially concurs with this finding. As the Department responded the last two years, the finding is based solely on the review of system security accesses. There was not a review of compensating internal controls the Department has in place.*

*The finding asserts inadequate internal controls based solely on the Department's choice not to implement segregation of duties based on system access. The Department believes compensating controls are employed to provide sufficient internal control over the processing of expenditures. No audit evidence has been presented to assert the generally accepted compensating controls are insufficient.*

*The following are responses to each condition in the finding:*

- a. *Management has been addressing this issue since it became an audit finding. Over the past several months, DSHS has been reviewing AFRS access. Through the August 2005 - December 2005 timeframe, the following changes have occurred:*

- *Staff with the ability to Input and Release a Batch has decreased 22%.*
- *The total number of AFRS Users has decreased 17.5%.*

*In February 2006, a DSHS AFRS security policy, along with a new security form, was implemented. DSHS management at each location will apply the AFRS control of separation of input and release functions where applicable. Where this security level is not adopted, staff independent of the input and release function will perform a 100% review of all data processed. The control of 100% post review has been determined by DSHS management to be a stronger control in detecting irregular payments in that AFRS does not require the reviewer scroll through the items input prior to releasing a batch. Therefore, the batch releaser could just release the batch without performing any review and the only thing we accomplished was separating the input and release function.*

- b. *The Department partially concurs with the condition that via the use of certain designated codes (V0D1), employees can generate a warrant to anyone. The audit report does not identify testing of compensating controls to prevent this from occurring. Compensating controls are provided through separation of payment/warrant distribution from payment generation capabilities and the review of output reports and registers. In addition, headquarters' fiscal staff reviews the V0D1 usage quarterly, for improper usage. The agency will review the current processed/controls in place to determine if they can be strengthened even though the finding does not indicate that any payments were improperly made.*
- c. *The Department does not fully concur that there is an issue with making payments to a vendor through the V0D1 process. The agency is currently looking at ways to reduce the number of warrants generated by the V0D1 option, however, the complete elimination of this method of making payments will not occur because of*

*business needs. The use of making payments through VOD1 is appropriate for such items as making payments to other Washington governmental entities for garnishments, lost stolen warrant reissues, SSPS provider tax refunds and several other types of transactions that do not require registering the payee.*

- d. The Department partially concurs with the condition that communication has not been successful to timely terminate system access for some terminated employees. Steps have been taken to identify those individuals with inappropriate access as well as improve the access documentation processes. In the Fiscal Year 2003 finding, SAO noted 40 cases. This year they noted 4 cases which illustrates the Department has been addressing this item. Efforts have been initiated to explore alternatives to relying solely on manager communication for access terminations. Such alternatives being reviewed include performing an agency AFRS user access review every April and October.*

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

We agree that the Department has some compensating controls in place which may **detect** errors or misappropriations after the fact. We are recommending a proper separation of duties in System access to help **prevent** errors or misappropriation from occurring. Since the Department issues billions of dollars in payments each year through the AFRS system, preventative controls are necessary. The Office of Financial Management has stated there is no System limit to the amount of one payment; therefore, an employee could input and release as large a check as desired for personal use and leave town before any of the Department's detection activities found the misappropriation. We reaffirm our finding and recommendations.

### **Applicable Laws and Regulations**

The State of Washington Office of Financial Management's *State Administrative and Accounting Manual*, Section 20.20.20.a states in part:

Each agency director is responsible for establishing and maintaining an effective system of internal control throughout the agency.

Section 20.20.70.a states in part:

Control activities are the policies and procedures that help ensure management directives are carried out.

**Segregation of duties** - Duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions. For example, responsibilities for authorizing transactions, recording them, and handling the related assets should be separated.

**05-30 The Department of Social and Health Services, Division of Child Care and Early Learning, does not have adequate internal controls over support for payments to child care providers.**

**Background**

The Department of Social and Health Services administers programs that pay child care centers and licensed family home child care providers for child care services for eligible families. The Department either pays the providers directly or pays clients directly, with the expectation that the clients will then use the funds for child care services. The Department has assigned responsibility for the Program to the Economic Services Administration, Division of Child Care and Early Learning. Payments are made from various funding sources, including several federal programs, and amounted to the following for fiscal year 2005:

- Federal – CFDA 93.575 – Child Care Development Fund-Discretionary \$111,627,141
- Federal – CFDA 93.596 – Child Care Development Fund Mandatory/Matching \$ 65,573,192
- Federal – CFDA 93.558 – Temporary Assistance to Needy Families \$ 25,278,853
- Federal – CFDA 93.667 - Social Services Block Grant 22,369
- State \$ 51,075,381

During our fiscal year 2003 and 2004 audits, we found the Division did not require adequate supporting documentation in the form of attendance records from all of its providers. The Division did not require that child care centers and family home child care providers have the parent or custodian sign the child in and out of care and note the time of arrival and departure. Attendance records that were available were not always adequate. In addition, the Division did not monitor its providers to determine if they had any attendance records to support their billings.

**Description of Condition**

During fiscal year 2005, the Division required family home providers and child care centers to use a standard format for signing children in and out of the facility and to maintain adequate attendance records to support their billings. We found the Division did not adequately monitor provider compliance with these requirements.

We visited nine child care centers to review attendance records. The records we chose were for the same days the licensors stated they had reviewed during on-site monitoring visits. We found many of the attendance records at the nine centers were not in compliance with the required format. For instance, parents must sign their children in and out using their full legal signatures. An exception to this requirement allows a provider to sign for school-age children who leave from and return to the provider’s care during the school day. We found many cases in which various methods were used to sign children in and out with other than a full legal signature, but none of these cases related to the allowable exception. Frequently we found no signatures at all. However, seven of the licensors’ monitoring checklists stated the records were in compliance. One checklist noted a discussion with the provider but no additional follow-up. Only one checklist noted noncompliance, with a follow-up comment in the compliance agreement.

We also asked 18 family home providers to send their records to us for review; only nine responded. We found attendance records for six of the nine were not in the required format and many were inadequate to support billings. The condition of the records of the nine family home providers who did not respond is unknown.

We also requested on-site monitoring documentation from the Division offices in charge of monitoring the nine child care centers and 18 family home providers. We received and reviewed monitoring checklists for all nine child care centers and 17 of the family home providers. We found the following:

- The Division did not monitor four of the nine child care centers in the required 12-month time period and did not monitor seven of the 17 family home child care providers within the required 18-month time period. The monitoring visits were up to 38 months apart. The lack of monitoring documentation for the 18th family home child care provider indicates no recent monitoring has occurred there.

- The Division requires licensors to write a compliance agreement that addresses issues of non-compliance and to follow-up to ensure the issues are corrected. Non-compliance issues were identified by licensors during monitoring visits, but frequently we saw no evidence of follow-up or correction.

### **Cause of Condition**

The Division stated it is not currently funded to conduct comprehensive monitoring of child care centers and family home providers.

### **Effect of Condition**

The Division still cannot be assured it is paying child care providers only for the hours children actually are in care. During fiscal year 2005, the Division established overpayments to child care providers that totaled approximately \$1.2 million. We believe this amount would be larger if the Division strengthened its monitoring procedures and determined overpayments for all unsupported amounts. We question the \$1.2 million in overpayments made from various funding sources, including several federal programs.

(Note: For purposes of the single audit, we estimate \$800,000 of this amount is federal questioned cost.)

### **Recommendation**

We recommend the Division monitor to ensure all child care providers:

- Use the required standard attendance record format.
- Have the parent or custodian of each child sign the attendance record when the child arrives and departs from care, noting the arrival and departure times.
- Maintain adequate attendance records to support the payments made to them.

### **Department's Response**

*The Department partially concurs with these findings.*

*The Division of Child Care and Early Learning (DCCEL) cannot adequately address the findings regarding monitoring visit timeframes and the lack of compliance agreements without more detailed information about the cases reviewed. We have requested this information from the State Auditor's Office, and will be able to more adequately address the two issues once we've received and reviewed the information.*

*DCCEL has a self-imposed timeframe for monitoring visits; 12 months for centers and 18 months for family homes. In the past year specific attention has been placed on improving performance in this area. We've established in the GMAP a goal of completing 95% of monitoring visits within those timeframes. DCCEL's Eastern Region has exceeded that goal since August 2005 for both centers and family homes. Our Northwest Region has exceeded the goal since December 2005 for family homes and January 2006 for centers. The Southwest region has exceeded the goal for centers since October 2005 and for family homes since December 2005.*

*DCCEL Staff write licensing compliance agreements and discuss attendance record requirements with the providers. We have developed standards and training for staff, to provide information and guidelines related to attendance records, compliance agreements and necessary follow-up. Again, In order to adequately respond to this finding, we will need to review the information requested from the State Auditor's Office.*

*DCCEL concurs there are not adequate internal controls over support for payments made to licensed family home child care providers. DCCEL is coordinating with Division of Management & Resource Services (DMRS) Quality Assurance staff to conduct a review of family home child care providers. This audit is scheduled for April 2006. The audit will include the review of attendance records for compliance with attendance record quality requirements. DCCEL continues to work with Payment Review Program to identify and collect overpayments through the use of algorithms.*

*The Washington Administrative Code (WAC) requires parents to sign their children in and out of care. DCCEL has an attendance form which providers may use for attendance keeping. This is not a required form. If providers choose to develop their own attendance form, it must contain all the elements of the form developed by the department, as required by WAC. Those elements are: date, child's name, time in with parent's full signature and time out with parent's full signature. Facility staff may sign children in and out when children leave to and return from school or other scheduled activities. This is what Quality Assurance staff will look for as they audit the family home provider's attendance records.*

*We believe the Department will improve its oversight of attendance records if and when the e-Child Care program is implemented. The e-Child Care program is an automated system that will be designed to improve effectiveness and efficiency of the licensing and subsidy programs. One of the many benefits will be electronic sign in and sign out in some form, which will greatly improve the quality of provider's attendance records.*

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

We appreciate the Department's thorough response. We will review the new monitoring procedures and other controls implemented by the Department during our fiscal year 2006 audit.

### **Applicable Laws and Regulations**

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, Attachment A, Section C, Basic Guidelines, states in part:

Factors affecting allowability of costs.

1. To be allowable under Federal awards, costs must meet the following general criteria:

j. Be adequately documented.

The same section of the circular states in part:

4.a. Applicable credits refer to those receipts or reductions of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples of such transactions are:...rebates or allowances, recoveries or indemnities on losses,...charges. To the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

The State Plan for the Child Care Development Block Grant, October 1, 2003 – September 30, 2005, states:

Washington State requires full licensing of child care centers and homes including on-site inspections. Centers and homes are required to renew their licenses every three years. Child care centers receive unannounced annual monitoring visits and family child care homes receive an unannounced interim monitoring visit within the three year licensing cycle. During the initial licensing period, licensors may make frequent visits to help licensees meet regulatory requirements. When licensees are issued a probationary license, licensors make frequent visits to ensure compliance with the probationary agreement. In addition, DCCEL Health Specialists inspect child care centers to determine compliance with health and safety regulations; certify, deny or revoke health certifications; and provide technical assistance to providers. These visits are conducted upon initial licensure and again before full licensure is granted.

Corrective action usually includes a statement of deficiencies and a plan of correction. It can also include a probationary license, and civil penalty, license revocation or suspension....

The Department's *Licensing Methods and Practices Manual* states under "Monitoring":

Center licensors should monitor facilities annually to determine compliance with WACs. FCC licensors should monitor homes at least once every 18 months to determine compliance with WACs.”

WAC 388-296-0520 states:

- (1) A child's presence in the child care must be documented, on a daily basis, by the child's parent or guardian or an authorized person by using the sign-in and sign-out procedure for each child in attendance. The parent, guardian or authorized person must use their full signature when signing the child in and out of the child care.
- (2) When the school age child arrives at or leaves the child care home due to school or off-site activities as authorized by the parent, you or your staff must sign out the child, and sign in the child on return to the home.
- (3) Daily attendance records, listing the dates and hours of attendance of each child must be kept up-to-date and maintained in the licensed space of the family home child care for five years.

**05-31 The Department of Social and Health Services, Division of Child Care and Early Learning and Children's Administration, did not perform adequate background checks.**

**Background**

The Department of Social and Health Services administers the Child Care program, which pays child care centers and licensed family home child care providers for services provided to eligible families. The Department has assigned responsibility for the Program to the Economic Services Administration, Division of Child Care and Early Learning. The Division develops the policies and procedures used to license child care providers. About 8000 of these providers are licensed in Washington State.

The Children's Administration pays licensed foster care providers for services provided to eligible children. The Administration develops the policies and procedures used to license foster care providers. About 6000 of these providers are licensed in Washington State.

The background check process is the same for both child care and foster care provider applicants. Potential providers and anyone 16 or older who will have unsupervised or regular access to the children in care must complete a Background Check Authorization Form. This includes assistants, volunteers and members of the applicant's household. The form is used to check whether these individuals have criminal backgrounds that would disqualify them from becoming licensed child care or foster care providers, associates, or volunteers. Applicants are not licensed if household members or others with access to the children are found to have disqualifying criminal backgrounds.

On the form, the person is required to document his or her current name, date of birth and other names by which they have been known. Provision of a Social Security number is optional.

These forms are sent to the Department's Background Check Central Unit. The Unit enters the data provided into the Department database, which draws information from the Washington State Patrol's criminal history database and from the Department.

The Patrol's database includes only Washington arrests; therefore, a search of this database does not provide criminal background information in other states. Individuals can be included in the Patrol's database for several reasons:

- When someone is arrested in Washington State, the arrest cards (including fingerprints) are sent to the Patrol. After the finger prints have been searched and verified, the Patrol enters this data into the criminal history database. Once final disposition of the case is made, it is entered into the Washington Identification System.
- Fingerprints of all Washington State criminal justice employee applicants are entered into the criminal history database.
- Convicted sex/kidnap offenders are required to register with the sheriff in the county of residence. The requirement to register includes offenders who move into Washington from another state. County sheriffs send these fingerprints and photographs to be entered by the Patrol into the criminal history database.
- The Patrol allows individuals meeting certain criteria to provide their own personal identification fingerprint cards to the Patrol for inclusion in the database.

If a person reports residency in the state for more than three years, the background search does not require a fingerprint check. The Background Unit conducts the search in the Patrol's criminal history database by using the exact name and exact date of birth as given by the applicant. Other elements can match, such as Social Security numbers; however, the primary search is based on name and date of birth. Matches, if any, produce a Report of Arrest and Prosecution sheet that shows the criminal history record for this person. Sometimes this sheet includes a Washington State Department of Corrections number that the Background Unit will research. If the Background Unit finds that the person did not commit a crime in Washington State, yet has a Corrections number, it may indicate

that the person has been imprisoned or is under Correction's supervision in this state for a crime committed in another state.

If a person reports residency in Washington State for less than three years, state law gives the Department authority to require a fingerprint-based background check. The Background Unit forwards these fingerprints to the Washington State Patrol. The Patrol performs a statewide search by comparing the fingerprints on the fingerprint card to the fingerprints in the Identification System. The fingerprints are forwarded electronically, by the Patrol, to the Federal Bureau of Investigation for a nationwide search. The FBI forwards its search results electronically to the Patrol, which then switches them to the Background Unit. The statewide search results are mailed by the Patrol to the Background Unit. The Patrol and FBI search results are entered into the Department's Background Check Central Unit database as received. The results are mailed to the Division licensors.

We issued special investigation report, No. 6370, on May 28, 2003. In this report, we communicated inadequacies in the background check process performed by the Department. In our fiscal year 2003 and 2004 State Accountability Reports, we reported that the weaknesses continued.

### **Description of Condition**

#### Children's Administration

This year we expanded our review of background checks to include the procedures used when licensing foster care providers. We found the Children's Administration does not require licensors to see the individuals in person and at the same time compare information provided on their Department Background Check Authorization Form to any piece of original identifying information to verify the background check will be performed on the correct person. Those individuals who will drive foster children in a car must provide only a photocopy of a driver's license. The Division does not ask for any identifying information from other providers or individuals who will have unsupervised or regular access to the children in care. In addition, applicants are not required to provide documentation of the length of their state residency.

#### Division of Child Care and Early Learning

To follow-up on previous audit weaknesses, we visited nine child care centers licensed and paid by the Division. We again found that applicants are not required to provide documentation of the length of their state residency.

We reviewed 98 personnel files at the nine centers for evidence of criminal background checks and adequate monitoring. We also verified criminal background check information with the Background Check Central Unit.

Seven of the nine centers could not always provide evidence of adequate criminal background checks for their employees and/or of adequate monitoring in this area by Division licensors. The following are examples of weaknesses we found:

- Thirty-nine of the 98 files did not include evidence that adequate background checks had been performed.
  - Fifteen employees at five centers were currently working even though no criminal background checks had ever been performed for them. They had been employed from 90 days to over six years.
  - Six background checks were processed using incorrect names.
  - Photo identification, such as a driver's license, was not matched to the background check application. For 33 employees, photo identification was not available in the personnel file..
- Forty-five of the 98 files had been included in monitoring reviews, but 10 of these were not adequately monitored for timeliness, completeness, and accuracy of background checks. Licensors indicated they found evidence of current criminal background checks for these 10. We reviewed the same 10 files and found background checks were not current for them at the time of the licensor's visit.

- In eight of the 45 files, monitors did not follow-up to ensure background checks were performed after previously noting that background checks were not completed.
- Licensors did not perform additional testing when inadequate background checks were identified.
- Licensors do not always perform independent reviews. They routinely select the same employee positions for review or allow providers to select the files to be reviewed.
- Files for some employees are never reviewed. Licensors do not verify criminal background checks for individuals who are no longer employed on the day of the monitoring visit. In other instances, employees are seasonal and may not be employed during the monitoring visit.
- When licensors identified noncompliance issues for background checks, they did not always follow up to ensure that the issues were corrected. We found that follow-up was not consistent, not completed in a timely manner, and frequently not completed at all.
- At four child care facilities, the Division did not monitor on a timely basis to verify that criminal background checks for employees were performed.

We also requested monitoring documentation from the Division for 18 family home providers. We received information for 17 and found the Division did not monitor seven of them on a timely basis to ensure background checks were performed.

#### **Cause of Condition**

The Department stated it does not have enough funds to correct deficiencies in criminal background check performance and monitoring.

#### **Effect of Condition**

The Department could license and pay child care and foster care providers who do not meet licensing standards or who have associates or household members who do not meet the standards of adequate background checks.

A person can provide any name or date of birth on the Background Check Authorization Form. In such a case, the background check would be performed on a name and date of birth that may be false or stolen. In addition, an applicant could falsely state residency of more than three years to avoid the fingerprinting process and nationwide search.

#### **Recommendation**

We recommend the Department:

- Require licensors to perform a visual confirmation of the person and original photo identification for each person who will have unsupervised or regular access to the children in care. This includes the applicant, assistants, volunteers and members of the applicant's household. The information written on the Background Check Authorization Form should be compared to other original documentation supporting the identity of the applicant. This review would provide some assurance that the Department is performing a background check on the person completing the form.
- Require applicants to provide documentation of the length of their state residency.
- Conduct nationwide checks on all applicants who cannot adequately document they have lived in the state at least three years.
- Provide training to licensors to ensure that monitoring of criminal background checks at child care centers and follow-up to issues identified are adequate to ensure compliance with background check requirements.

## **Department's Response**

*The Department does not concur with the finding that licensors with the Division of Child Care and Early Learning (DCCEL) and Children's Administration (CA) are not conducting adequate background checks. The Department trains licensors in all aspects of conducting and monitoring background checks. The licensors cite providers when they are out of compliance. Because the auditor did not have an opportunity to review their findings with Department staff prior to issuing the draft finding we can neither concur nor disagree with the specific findings related to the Division of Child Care and Early Learning. The Department will request and review the auditor's working papers to confirm the results of their review and develop an appropriate corrective action plan to address any identified deficiencies in our practice.*

*The Department is constantly looking for ways to increase safety to children in out-of-home care and to strengthen the background check process. A statutory change and additional resources would be needed to address the recommendations in this audit report. The Joint Legislative Task Force on Background Checks intends to review the legislative, fiscal, stakeholder, and information technology infrastructure changes required to implement fingerprint checks for child care providers and foster care applicants as a priority agenda item for next year.*

*The Department's Background Checks Central Unit performs approximately 35,000 name and date of birth background checks each year for child care and about 16,500 for foster care. Performing a visual confirmation of each person to their photo identification is not possible for such a large number of background checks.*

*There is no uniform, widely accepted documentation to prove Washington state residency. Voter registration cards, driver's licenses, and tax returns are not available to many licensees, including some immigrants.*

## **Auditor's Concluding Remarks**

We discussed these issues with the Department prior to releasing the draft finding to it. We also provided the Department with the list of childcare centers that we visited during our audit. Department management assured us it is aware that improvements over the performance of background checks are needed. We reaffirm our finding.

## **Applicable Laws and Regulations**

The Office of Financial Management *State Administrative and Accounting Manual*, Section 85.32.10, states in part:

...At a minimum, agencies are...to establish and implement the following:

1. Controls to ensure that all expenditures/expenses and disbursements are for lawful and proper purposes....

Revised Code of Washington 74.15.030 states in part:

The secretary shall have the power and it shall be the secretary's duty:

(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:

(b) The character, suitability and competence of an agency and other persons associated with an agency directly responsible for the care and treatment of children, expectant mothers or developmentally disabled persons....In order to determine the suitability of applicants for an agency license, licensees, their employees, and other persons who have unsupervised access to children in care, and who have not resided in the state of Washington during the three-year period before being authorized to care for children shall be fingerprinted.

Washington Administrative Code 388-296-0180 states:

(1) At the time you apply for a license you must submit a completed background check form and finger print card if required to the background check central unit (BCCU) for each person who will have unsupervised access to children in your care. This includes:

- (a) You;
- (b) Members of your household sixteen years and older;
- (c) Staff;
- (d) Volunteers; and
- (e) Other persons living at the same address as you.

(2) When you plan to have new staff or volunteers, you must require each person to complete and submit to you by the date of hire a criminal history and background check form:

- (a) You must submit this form to the BCCU for the employee and volunteer, within seven calendar days of the employee's or volunteer's first day of work, permitting a criminal and background history check.
- (b) The employee and volunteer must not have unsupervised access to the children in care until they have been cleared by a full background check.

WAC 388-295-7050 states:

(1) Each employee and volunteer who has unsupervised access to a child in care must complete the following forms on or before their date of hire:

- (a) an application for employment on a form prescribed by us, or on a comparable form approved by the department; and
- (b) A criminal history and background inquiry form.

(2) You must submit the criminal history and background inquiry form to us within seven calendar days of the employee's first day of work. The form authorizes a criminal history background inquiry for that person.

WAC 388-295-0070 states in part:

(1) You, your staff and volunteers must have the following personal characteristics in order to operate or work in a child care facility:

- (a) The understanding, ability, physical health, emotional stability, good judgment and personality suited to meet the physical, intellectual, mental, emotional, and social needs of the children in care;
- (b) Be qualified by our background inquiry check prior to having unsupervised access to children. To "be qualified" means not having been convicted of, or have charges pending for, crimes posted on the DSHS secretary's list of permanently disqualifying convictions for ESA. You can find the complete list at <http://www.dshs.wa.gov/esa/dccel/policy.shtml>. This includes not having committed or been convicted of child abuse or any crime involving harm to another person; and....

STATE PLAN FOR CCDF SERVICES  
FOR THE PERIOD 10/1/03 – 9/30/05  
Effective Date: October 1, 2003

Washington State requires full licensing of child care centers and homes including on-site inspections. Centers and homes are required to renew their licenses every three years. Child care centers receive unannounced annual monitoring visits and family child care homes receive an unannounced interim monitoring visit within the three year licensing cycle. During the initial licensing period, licensors may make frequent visits to help licensees meet regulatory requirements. When licensees are issued a probationary license, licensors make frequent visits to ensure compliance with the probationary agreement. In addition, DCCEL Health Specialists inspect child care centers to determine compliance with health and safety regulations; certify, deny or revoke health certifications; and provide technical assistance to providers. These visits are conducted upon initial licensure and again before full licensure is granted.

Corrective action usually includes a statement of deficiencies and a plan of correction. It can also include a probationary license, and civil penalty, license revocation or suspension. Background checks are performed on all child care providers, assistants and volunteers of licensed child care centers and on providers and members of family child care households (sixteen years of age or older) who have unsupervised or regular access to children in care.

The Department of Social and Health Services *Licensing Methods and Practices Manual* states the following:

Center licensors should monitor facilities annually to determine compliance with WACs. FCC licensors should monitor homes at least once every 18 months to determine compliance with WACs.

Title 45 of the Code of Federal Regulations, Section 1356.30 (a) and (b) states:

(a) Unless an election provided for in paragraph (d) of this section is made, the State must provide documentation that criminal records checks have been conducted with respect to prospective foster and adoptive parents.

(b) The State may not approve or license any prospective foster or adoptive parent, nor may the State claim FFP for any foster care maintenance or adoption assistance payment made on behalf of a child placed in a foster home operated under the auspices of a child placing agency or on behalf of a child placed in an adoptive home through a private adoption agency, if the State finds that, based on a criminal records check conducted in accordance with paragraph (a) of this section, a court of competent jurisdiction has determined that the prospective foster or adoptive parent has been convicted of a felony involving:

- (1) Child abuse or neglect;
- (2) Spousal abuse;
- (3) A crime against a child or children (including child pornography); or,
- (4) A crime involving violence, including rape, sexual assault, or homicide, but not including other physical assault or battery.

(c) The State may not approve or license any prospective foster or adoptive parent, nor may the State claim FFP for any foster care maintenance or adoption assistance payment made on behalf of a child placed in a foster home operated under the auspices of a child placing agency or on behalf of a child placed in an adoptive home through a private adoption agency, if the State finds, based on a criminal records check conducted in accordance with paragraph (a) of this section, that a court of competent jurisdiction has determined that the prospective foster or adoptive parent has, within the last five years, been convicted of a felony involving:

- (1) Physical assault;
- (2) Battery; or,
- (3) A drug-related offense.

(d)(1) The State may elect not to conduct or require criminal records checks on prospective foster or adoptive parents by:

- (i) Notifying the Secretary in a letter from the Governor; or
- (ii) Enacting State legislation.

(2) Such an election also removes the State's obligation to comport with paragraphs (b) and (c) of this section.

(e) In all cases where the State opts out of the criminal records check requirement, the licensing file for that foster or adoptive family must contain documentation which verifies that safety considerations with respect to the caretaker(s) have been addressed.

(f) In order for a child care institution to be eligible for title IV-E funding, the licensing file for the institution must contain documentation which verifies that safety considerations with respect to the staff of the institution have been addressed.

**05-32 The Department of Social and Health Services, Economic Services Administration, reimbursed contractors for services that were not adequately supported.**

**Background**

During fiscal year 2005, the Department of Social and Health Services, Economic Services Administration's Basic Food, Education, and Outreach Program contracted with nine non-profit organizations and one Indian tribe to educate potential applicants about food stamps and to assist them in completing applications. Contractors may subcontract with other organizations to assist in these services. For these 10 contracts, federal funds from the federal State Administration Matching Grants for the Food Stamp Program (CFDA 10.561) provided 50 percent of the total fiscal year 2005 payments of \$2,101,099, with the remaining amount supplied by state and local funds.

The Program reimburses contractors each time they perform intake contacts, during which they provide informational assistance to potential clients. As defined in the contract, an intake contact is a five- to thirty minute discussion between the contractor and a potential client to provide information on how to apply for the Program. Intake contacts can occur in the contractor's office or in the client's home but must be in person. Contractors are reimbursed \$30 to \$90 per intake contact, depending on the amount stipulated in the contract. Contractors also may be paid for providing group presentations and for assisting clients in completing applications.

To bill the Department for its services, a contractor's billings must include an invoice, a summary of monthly contacts, and an on-line Basic Food Education Outreach Monthly Activity Report. This report is submitted through the on-line system by all contractors.

During our fiscal year 2004 audit, we questioned approximately \$1.1 million dollars paid to one contractor for contacts that did not occur. We found the Department did not require any supporting documentation such as documents signed by clients acknowledging services were received. We also concluded the Department's monitoring was inadequate to ensure payments were allowable.

**Description of Condition**

This year we found the Department did not:

- Obtain sufficient documentation to support contractor reimbursements. For fiscal year 2005, we found 7,271 client records in the system that lacked assistance dates. This system does not process payments; however, it is used by the Department to reconcile invoice data prior to payment. Payments for services that did not include a service date totaled \$270,681.
- Require all contractors to obtain evidence of client consultations and group presentations, such as documents signed by clients verifying services were provided. For instance, the Department reimbursed a subcontractor for five group presentations without receiving sufficient documentation to support the presentations had occurred. A document listing the presentation dates was signed by two witnesses; however, those witnesses were employees of the sub-contractor. No client names were included. Total payments for these presentations were \$1,250.
- Review billings adequately before payment.
  - We found 38 instances totaling \$1,687 in which the Department reimbursed contractors a month prior to the clients' assistance dates. This suggests payments were made in advance.
  - We found several instances, totaling \$163, in which a contractor billed and received payment for the same client more than once per month.

**Cause of Condition**

The Department has not established written policies and procedures describing and requiring adequate monitoring activities for these contracts.

## Effect of Condition

Conditions that allowed last year's contractor misappropriation to occur and go undetected still exist. We question a total of \$273,781, one half of which, or \$136,891, was funded with federal dollars.

## Recommendation

To improve its internal controls, we recommend the Department establish written policies and procedures to:

- Verify with clients, on a routine basis, that services have been received.
- Monitor contractors to ensure they maintain supporting documentation for client consultations, including a document or log signed by each client and by the contractor's employee performing the consultation. At a minimum, this document should include the client's name, date of birth, signature, and contact information.
- Require an assistance date for all clients input into the Basic Food Education Online Reporting System and reimbursed by the Department.
- Pay contractors only after the service has been provided.
- Analyze reported client contacts to determine if the number of contacts per client is reasonable.

## Department's Response

*The department partially concurs with the above findings.*

*Contractors are currently not required to provide the dates of contacts or assistance provided in the online reporting system. However, there is documented assurance available upon request at the site of the contractor. We sampled about 75% of the 7,271 contacts and were able to verify that a contact or assistance occurred in each of the samples by reviewing the available documentation. We also verified that the date of the contact exactly matched the billing date for the contact. The Food Assistance Outreach program will add a requirement to input the assistance date into the Online Reporting System to contract requirements of all contractors for the next contract period.*

*The Department disagrees with the question cost amount of \$273,781, and the federal share of \$136,891 as we have documented assurance the payments were both accurate and correct under the contract.*

*Contractors are currently not required to provide signature documentation verifying the client received intake contacts. Contractors are currently **required** to provide signature documentation verifying the client received application assistance.*

*Effective March 1, 2006 contractors will be required to have a signed verification sheet for:*

- *In person client intake contacts;*
- *Group presentations; and*
- *Application assistance.*

*Currently, outreach contractors ask clients for a phone number or address that can be used by the department to obtain verification of services.*

*The Department has reviewed the list of names provided by the State Auditor's Office in which it appears contractors were reimbursed a month prior to the client's assistance dates. The department can find no instances in which the Department reimbursed contractors a month prior to the clients' assistance dates.*

*The contractor works with several sub-contractors who work with the same clients and are allowed to bill and receive payment for these services. The Department has identified the instances in which it appears a contractor was reimbursed for the same client more than once per month and reviewed these cases to determine the accuracy of these payments. When the program compiled all subcontractor contacts and the primary contacts under the primary contractor we understand there may be \$147 in questioned costs paid to the same primary contractor for distribution to two different subcontractors.*

*The department has instituted a process to analyze reported client contacts to determine if the number of contacts per client is reasonable.*

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

We appreciate the Department's thorough response and its commitment to resolving these issues. We will review the additional requirements and controls that the Department is implementing during our fiscal year 2006 audit.

### **Applicable Laws and Regulations**

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

The auditee shall...

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

Subpart A, Section .105 of Circular A-133 further states in part:

Questioned cost means a cost that is questioned by the auditor because of an audit finding....(2) Where the costs, at the time of the audit, are not supported by adequate documentation....

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, Attachment C, states in part:

1. ...To be allowed under Federal awards, costs must meet the following general criteria:
  - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
  - b. Be authorized or not prohibited under State or local laws or regulations....
2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally funded....

The Office of Financial Management State Administrative and Accounting Manual, Section 85.32.10, states in part:

...At a minimum, agencies are...to establish and implement the following:

1. Controls to ensure that all expenditures/expenses and disbursements are for lawful and proper purposes....

Section 85.32.40 (a) states in part:

...The following information, at a minimum, is to be indicated either on the disbursement documentation or in an automated system for compliance with federal regulatory agencies and internal control policies:...

- Receipt dates for goods and services

The Department's Administrative Policy 13.11, General Contract Monitoring, states its purpose is to provide Department staff with general contract monitoring guidance that can reasonably ensure:

- (1) The Department receives goods and services that are paid through the contracting process.
- (2) The contractor meets the scope of work and specifications identified in the contract.

**05-33 The Department of Social and Health Services made unallowable duplicate payments through the Social Services Payment System.**

**Background**

The Department of Social and Health Services developed the Social Services Payment System to perform a variety of services, including initiating the payment process for purchased services. The System is used by approximately 3,500 social workers across the state to authorize in excess of \$1 billion in payments to more than 109,000 service providers annually. It is the largest cross-divisional services-based system in the Department and supports payments authorized by three Department administrations: Children’s, Aging and Disability Services, and Economic Services.

**Description of Condition**

We reviewed the System to determine if the Department had paid more than once for the same transaction. We identified the following duplicate payments made with funds from various sources:

	<b>Children's Administration</b>	<b>Aging &amp; Disability Services Admin.</b>	<b>Totals</b>
Number of Clients	5	8	13
Medicaid Funding CFDA 93.778	\$ 1,276.35	\$ 34,121.49	\$ 35,397.84
State Funding	\$ 29,700.45	\$ 42,333.38	\$ 72,033.83
Foster Care Title IV E Funding CFDA 93.658	\$ 6,480.50		\$ 6,480.50
Adoption Support Funding CFDA 93.659	\$ 3,000.00		\$ 3,000.00
<b>Total by Administration</b>	<b>\$ 40,457.30</b>	<b>\$ 76,454.87</b>	<b>\$116,912.17</b>

We shared these results with the Department and requested any additional information it had regarding the transactions. We received a response from the Department agreeing that the above amounts were overpayments. The Department was aware of and had begun recovery proceedings for only \$18,583.91 of the total amount prior to learning of the results of our work.

**Cause of Condition**

The Department does not have adequate internal controls to ensure payments are not duplicated. A variety of case worker errors led to these duplicate payments; in most cases, no subsequent reviews identified them.

**Effect of Condition**

Federal and state funds are susceptible to loss because the Department cannot identify in a timely manner duplicate payments made to providers. We question the costs displayed above of \$116,912.

**Recommendations**

We recommend the Department:

- Strengthen its reviews of SSPS payments to help prevent future duplicate payments.
- Pursue recovery of overpayments.
- Work with the U.S. Department of Health and Human Services to determine if any unallowable, unrecovered federal costs must be reimbursed.

## Department's Response

*The Department partially concurs with this finding.*

- ***Strengthen reviews of SSPS payments to help prevent future duplicate payments:***

*Both ADSA and CA sent all questionable duplicate payments identified by the auditor to their field offices for review and reconciliation. Of the approximately \$1,352,000 payments identified as questionable by the auditor, ADSA's review determined that \$76,455 were in fact duplicate payments. A total of 32 duplicate payments were made to 8 providers for services to 8 clients. This amount represents .00008% of the approximately \$934 million in payments made by ADSA via the SSPS payment system in FY05. ADSA provided the auditor with client level results for each questioned payment, and proof that the respective overpayments had been established with OFR. The Children's Administration reviewed and provided information to the auditor on approximately \$1.5 million in payments referred by the auditor. Upon receipt of the finding CA requested and received copies of the auditor's workpapers that identified the 5 payments totaling \$40,457.30 in questioned costs. CA's subsequent review of those cases documents that only one of the five is a duplicate payment. CA verbally notified the SAO of the additional information on the four cases on March 15, 2006. CA will provide documentation of the appropriateness of these payments to the SAO by March 31, 2006, for their use in next year's follow-up review.*

*The administrations invest time and resources in the department's Payment Review Program (PRP). The PRP has developed and uses algorithms to detect duplicate payments and will continue to work closely with PRP to ensure duplicate payments are adequately addressed. Additionally, in 2004 CA hired fiduciary specialists specifically to address various aspects of the payment process which includes identifying duplicate payments and proper processing procedures.*

*DSHS will continue to provide staff training, supervisory overview and quality review of payment procedures used in the field.*

- ***Pursue recovery of overpayments:***

*ADSA has established overpayments on all duplicate payments that were identified in the audit process. CA established an overpayment for the \$5180 exception in October 2004 and that overpayment has been collected by the Department's Office of Financial Recovery.*

- ***Work with the U.S. Department of Health and Human Services to help prevent duplicate payments:***

*The Department will work with HHS should any costs be determined unallowable*

## Auditor's Concluding Remarks

We appreciate the Department's thorough response. We will review this area during our fiscal year 2006 audit.

## Applicable Laws and Regulations

The Office of Financial Management's *State Administrative and Accounting Manual*, Section 20.20.20.a, states:

Each agency director is responsible for establishing and maintaining an effective system of internal control throughout the agency.

**05-34 The Department of Social and Health Services does not ensure that all recovered overpayments are credited to the appropriate funding source.**

**Background**

The Department of Social and Health Services administers child care programs that pay child care centers and licensed family home child care providers for child care services for eligible families. The Department either pays the providers directly or pays clients directly, with the expectation that the clients will use the funds for child care services. Program payments are made from both state and federal funds. The Department has assigned responsibility for the Program to the Economic Services Administration, Division of Child Care and Early Learning.

Child care overpayments are primarily identified by case workers during eligibility update reviews. The field offices report identified overpayments to the Department's Office of Financial Recovery. The Department has also recently started using computerized processes to identify overpayments.

Client overpayments identified but not yet recovered as of June 30, 2005, were approximately \$7,542,000. Overpayments identified in a current fiscal year may not be recovered until a future fiscal year.

During the fiscal year 2003 and 2004 audits, we found that the Department did not ensure that all funds recovered from client overpayments were returned to the proper funding source. The Department stated that approximately \$248,000 was recovered from client overpayments during fiscal years 2003 and 2004. However, the Department was not able to determine how much of this amount was initially paid with federal and state funds and to which funding source funds should be returned. We reported this weakness in the Statewide Accountability Report and in the State of Washington Single Audit Report in both prior audit years.

**Description of Condition**

We found the Department still did not ensure all funds recovered from client overpayments were returned to the proper funding source. The Department stated it recovered \$358,000 in client overpayments during fiscal year 2005, leaving the above balance of \$7,542,000. However the Department still was not able to determine how much of the recovered amount was initially paid with federal and state funds and to which funding sources funds should be returned.

**Cause of Condition**

The computer system used for client overpayments was inadequate for tracking the original funding sources, and the Department had not developed an alternative method of determining to which funding sources client overpayments should be returned. During the fiscal year 2005 audit, the Department stated that it corrected this in October 2005, and it will now be able to ensure all funds recovered from client overpayments are returned to the proper source. However, that date fell outside of the current audit period. In our next audit, we will review any corrective actions taken during fiscal year 2006.

**Effect of Condition**

The Department may not be returning recoveries of federal funds to the proper funding sources as required by federal regulations. Payments originally made with federal program funds may be returned and credited to entirely different federal programs or to state funds.

**Recommendation**

We recommend the Department develop an adequate method of ensuring that all funds recovered are returned to their proper sources.

**Department's Response**

*The Department concurs with this finding and has taken the measures described below to ensure that recovered funds are correctly credited to the appropriate funding sources.*

*The Office of Financial Recovery and the Information Technology Office have worked together to create a new Social Services Payment System (SSPS) account code history table that cross-matches SSPS program codes (service, source, reason) to the Agency Financial Reporting System account codes for the period of time in which they were used for warrant processing. The history table is rebuilt daily and tracks data from November 2000 through current date.*

*Also, a Modified Client Receivable System (CRS) accounting module has been created to distribute payment recoveries according to the distribution of the SSPS program code lines.*

*The above measures were implemented on October 1, 2005, the beginning of the federal fiscal year.*

### **Auditor's Concluding Remark**

We appreciate the Department's prompt and thorough response and its commitment to resolving these issues.

### **Applicable Laws and Regulations**

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, Attachment A, Section C, Basic Guidelines, states in part:

- 4.a. Applicable credits refer to those receipts or reductions of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples of such transactions are...rebates or allowances, recoveries or indemnities on losses,...charges. To the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

**05-35 The Department of Social and Health Services does not have adequate internal controls over the Social Service Payment System.**

**Background**

The Department of Social and Health Services developed the Social Service Payment System in the late 1970s to:

- Authorize the delivery and/or purchase of social services for clients.
- Collect social services client data required for state and federal reporting.
- Initiate the payment process for purchased services.

The System is used by approximately 3,500 social workers across the state to authorize payments and collect information about services provided to more than 210,000 clients. The system authorizes payments in excess of \$1.3 billion annually to more than 109,000 service providers.

The System is the largest cross-divisional services-based system in the Department and supports payments and management information authorized by Children's Administration, Aging and Disability Services Administration, and Economic Services Administration. The System runs on a Unisys mainframe computer system and interfaces with a number of other department systems.

During our fiscal year 2004 audit we identified and reported internal control weaknesses related to the system.

**Description of Condition**

This year we followed-up on last year's finding to determine if adequate internal controls over the system had been implemented.

We found the following internal control weaknesses still exist:

- Unisys does not record the creator or modifier of each transaction. The Department cannot determine accountability for transactions created or updated within the mainframe.
- The Department does not have adequate controls over electronic access to the Social Service Payment System.
  - Unisys is not capable of generating a list of operator identification (ID) and the associated user name. Because of this weakness, the Department maintains a separate database of user names, operator IDs, and access rights as a compensating control. However, our tests indicate that the database is not a complete and accurate record of users of the Social Service Payment System.
  - The Department uses "generic" (shared) Social Service Payment System operator IDs and passwords to allow inquiry-only access to the System databases; this significantly increases the possibility of unauthorized access to confidential information.
  - Four individuals have more than one operator ID. Assigning duplicate operator IDs allows users additional access that is not required for performance of their assigned duties.
  - The Department does not require the use of hardened passwords. The Information Services Board's *Information Technology Security Standards* define hardened passwords as having a minimum of eight characters and containing at least one special character and two of the following three character classes: upper case letters, lower case letters, and numerals.
  - The Department is not using a lock-out mechanism to deter access to the System. Lock-out mechanisms limit the number of unsuccessful attempts to log-in to a computer system. Without a

limit on authentication attempts, unauthorized users have a much greater chance of cracking passwords.

- The Department does not have adequate controls in place to limit users establishing providers (vendors) in the System to the electronic access necessary to perform their assigned duties. A service provider must be established in the provider file in order to receive payment for services. Our tests indicate there are 12 individuals with access to provider file input who do not need this level of access to perform their assigned duties.
  - Ten operator IDs have provider file input access rights and access rights that authorize payments to providers. Operator IDs that have provider file input access rights and authorization input access rights would be able to establish a provider and then authorize payment to that provider.
- There is no read-only access to the computer input screen that is used to add, delete, and view worker IDs. All individuals with access to this screen can add and delete worker IDs.
- The Department is not performing reconciliations of Social Service Payment System records.
    - The System does not contain transactions or other information on payments that required manual intervention or adjustment. This results in inaccurate and incomplete payment information in the System payment history and summary reports.
    - Expenditures authorized through the System are not reconciled to financial records in the state's Agency Financial Reporting System.
  - The Department does not have adequate controls over authentication of users with access to the system.
    - The Social Service Payment System does not require users to change the operator ID password periodically; this increases the opportunity for inappropriate access to the System.
  - The Department does not have adequate controls over Social Service Payment System computer programs.
    - The software that controls the changes to the System computer programs does not adequately maintain a record of the changes. The program change control software for SSPS does not record who made a change, record the changes made, track multiple versions, or prevent two people from checking out the same program at the same time. Accountability cannot be assigned for program changes.
    - Department personnel can re-point Executive Control Language. This could result in unauthorized computer programs being run.
  - Authorization for payments can be made for services that were performed after the service providers have been designated as closed, deceased, or otherwise restricted. This could lead to payments to providers who should no longer be receiving them.
  - The information displayed on System user screens is not appropriate to meet the Health Insurance Portability and Accountability Act (HIPAA) privacy requirements.

### **Cause of Condition**

The Social Service Payment System is a 25 year old legacy system with 300,000 lines of code in Cobol programming language. It is limited by its original design with minimal security and lack of Unisys software to track transactions created or updated within the mainframe. The system is inadequate and unable to perform higher level functions that today's technology allows.

## Effect of Condition

These control weaknesses increase to a high degree the risk that error or misappropriation could occur and not be detected by management in a timely manner, if at all.

## Recommendation

We recommend the Department establish and follow adequate internal controls over the Social Service Payment System.

## Department's Response

*The Department would like to take the opportunity to respond to the items within the finding as each are a unique contributor to the primary finding and each have a separate response. We concur with the State Auditor's Office (SAO) statements that the cause of the condition is directly related to the Social Service Payment System (SSPS) being a 25 year old legacy system written in extensive COBOL programming language. The original design, purpose, and security features were adequate to the task at the time of its inception and many modifications have been made to attempt to provide improvements in functionality and security over the years. However, the system programming and a lack of UNISYS software to track transactions, created or updated within the mainframe, have required the use of external systems and programs to make up for the system's deficits when compared to the requirements of today's technology. The Department plans to replace the system with the new technology of the ProviderOne system and is in the design phases of that process.*

*Recently the Department has been able to initiate a re-write of the WebConnect front-end system interfacing with the Social Service Program System that will provide additional security features not available in the UNISYS realm. This re-write has an anticipated release date of April 1, 2006. Since it is written in C# (C-sharp), it affords and utilizes modern features and security, supplementing the UNISYS system's areas of deficiency. The Department has also created several Sequel program routines that make up for the shortcomings of the system and aid in producing the accurate accounting and reconciliation processes necessary in the proper management of state funds. As the Department responds to each of the items, we would like to include the new features of these systems that specifically respond to each item.*

- *Unisys does not record the creator or modifier of each transaction. The Department cannot determine accountability for transactions created or updated within the mainframe.*

*The Department concurs with this item. UNISYS does not allow for the tracking of transaction activities within the system. The new WebConnect re-write will allow for the tracking of transactions within the system. The program will store a string of data for each transaction that is linked to the user profile.*

- *The Department does not have adequate controls over electronic access to the Social Service Payment System.*
  - *Unisys is not capable of generating a list of operator identification (ID) and the associated user name. Because of this weakness, the Department maintains a separate database of user names, operator IDs, and access rights as a compensating control. However, our tests indicate that the database is not a complete and accurate record of users of the Social Service Payment System.*

*This statement is correct concerning UNISYS. The Department has made a concerted effort to reduce the operator ID database and to keep it as complete and accurate as possible. This has been done by reviewing the database on a monthly schedule, removing individuals and duplicates as soon as the need to do so becomes known, and adding only individuals that are appropriate. The Information System Services Division (ISSD) and SSPS staffs routinely review and update the files. The Automated Client Eligibility System (ACES) changes and Department of Personnel updates are also used to keep the file accurate. Individuals, not requiring access because they have other front-end access, have their operator ID removed to prevent double access. All individuals noted by the SAO as needing removal or further identification have been removed or identified.*

*On April 1, 2006, SSPS will initiate a new front-end WebConnect version and replace the current Com Object with a web service program. Neither requires operator IDs but associate the name and personal security permissions of each user who logs on. The new WebConnect front-end system will record a string of data and will relate it directly to the user profile on the individual's system account.*

- *The Department uses "generic" (shared) Social Service Payment System operator IDs and passwords to allow inquiry-only access to the System databases; this significantly increases the possibility of unauthorized access to confidential information.*

*This finding is correct for the system as it is today. There is no way to allow operators to have the inquiry only access necessary to do their work and avoid duplicate payment, without a generic operator ID. This allows them to see only information within their area of work responsibility. With the new WebConnect re-write, there will be no generic operator IDs. Workers will access their own computer system and will have specific assigned user profiles for SSPS that are based on their work needs.*

*It should be noted that the SSPS is behind ISSD and state Department of Information Services (DIS) firewalls and only accessible by Department or contracted agencies' staffs that need the SSPS to carry out Department business. They have to go through a setup process in order to view SSPS information and must have the legal right to view all information on the SSPS.*

- *Four individuals have more than one operator ID. Assigning duplicate operator IDs allows users additional access that is not required for performance of their assigned duties.*

*All individuals, found through file searches or identified by the SAO, have been removed. Systematic checks for duplicates are performed monthly.*

- *The Department does not require the use of hardened passwords. The Information Services Board's Information Technology Security Standards define hardened passwords as having a minimum of eight characters and containing at least one special character and two of the following three character classes: upper case letters, lower case letters, and numerals.*

*The Department concurs that the current system is not protected with "hardened" passwords, which is a limitation of the UNYSYS system. Therefore, the new WebConnect re-write utilizes the "hardened" password of each individual user upon entry to their individual computer system. This not only makes use of the required "hardened" passwords, but it also requires the changing of passwords every 120 days, further increasing security.*

- *The Department is not using a lock-out mechanism to deter access to the System. Lock-out mechanisms limit the number of unsuccessful attempts to log-in to a computer system. Without a limit on authentication attempts, unauthorized users have a much greater chance of cracking passwords.*

*The Department has used a "lock-out" mechanism since the inception of the Social Service Payment System. Through numerous updates and changes to SSPS, the "lock-out" mechanism became inactive. SSPS, ISSD, and DIS have unsuccessfully attempted to locate and reinstall the "lock-out" mechanism. The Department continued to try to reinstate it, but this will become a moot point shortly with the activation of the new WebConnect front-end for the system. WebConnect will take advantage of the "hardened" password and "lock-out" mechanism of each user's computer system access.*

- *The Department does not have adequate controls in place to limit users establishing providers (vendors) in the System to the electronic access necessary to perform their assigned duties. A service provider must be established in the provider file in order to receive payment for services. Our tests indicate there are 12 individuals with access to provider file input who do not need this level of access to perform their assigned duties.*

*The Department has substantially reduced the number of individuals that have access to provider file input from 32 to 12. Of these, five are in the Office of Accounting Services (OAS) and use the provider file in their job on an ongoing basis to establish or deactivate liens. Two SSPS program managers use provider file access to establish*

*direct deposit and/or stops related to their daily work; two SSPS operations staff have access to process information regarding payment adjustments; and three SSPS program managers have access to provider files to modify rates and service codes for program payments. These activities require a high degree of knowledge related to program needs and activities, so must be done by program managers rather than provider file data integrity staff.*

*In the new WebConnect front-end system, the changing of anything in the provider file will be recorded as a string of data and will relate directly to the user profile on the individuals system account. This will allow for the tracing of changes made to the provider file and who made them.*

- *Ten operator IDs have provider file input access rights and access rights that authorize payments to providers. Operator IDs that have provider file input access rights and authorization input access rights would be able to establish a provider and then authorize payment to that provider.*

*This has been recognized as a weakness that the Department has sought to reduce and/or eliminate. The number of individuals has been reduced to eight. Of these, the individuals are all SSPS program managers and one SSPS provider file supervisor. The dual access is used to correct tax related information and reduce IRS errors or to facilitate correction, modification, or testing of data in the system. To further reduce the risk, a Sequel program that compares providers and payments to state employee personnel data is run monthly with auditing and verification of correct payment process monitoring.*

*As stated above, the WebConnect front-end system will allow tracking of changes. While this is not a total separation of duties, the Department believes that it will enable the Department to successfully complete SSPS functions while reducing risk to the lowest denominator possible.*

- *There is no read-only access to the computer input screen that is used to add, delete, and view worker IDs. All individuals with access to this screen can add and delete worker IDs.*

*The system currently allows all individuals with access to the input screen to add and delete worker IDs. The new WebConnect front-end will allow for a view only or a view, add, or modify access to this screen controlled through the user profile.*

- *The Department is not performing reconciliations of Social Service Payment System records.*
  - *The System does not contain transactions or other information on payments that required manual intervention or adjustment. This results in inaccurate and incomplete payment information in the System payment history and summary reports.*
  - *Expenditures authorized through the System are not reconciled to financial records in the state's Agency Financial Reporting System.*

*SSPS and OAS have developed a secondary process to supplement the inadequacies of the legacy system for reconciliation and incorporation of payment information from outside of the legacy system. To record transactions and information on payments that require manual intervention, SSPS has created a Sequel database that stores and compiles this information for processing with internal system information. Per the SAO, at a December 29, 2005 meeting, the SSPS Sequel database fulfills the SSPS portion of this process. As a project sponsor, the SSPS Chief understands that this database will reconcile with OAS quarterly from now on. The information was also used in the preparation of 2005 tax documents without issue.*

- *The Department does not have adequate controls over authentication of users with access to the system.*
  - *The Social Service Payment System does not require users to change the operator ID password periodically; this increases the opportunity for inappropriate access to the System.*

*The Department concurs that this is an accurate statement but cannot correct it in the UNYSIS system. The new WebConnect re-write utilizes the "hardened" password of each individual user upon entry to their individual computer system. This not only makes use of the required "hardened" passwords, but it also requires the changing of passwords every 120 days, further increasing security.*

*The Department does not have adequate controls over Social Service Payment System computer programs.*

- *The software that controls the changes to the System computer programs does not adequately maintain a record of the changes. The program change control software for SSPS does not record who made a change, record the changes made, track multiple versions, or prevent two people from checking out the same program at the same time. Accountability cannot be assigned for program changes.*

*The Department concurs with these statements. The Department has made a concerted effort to locate UNISYS software for this function. SSPS has not been aware of any affordable available software for the UNISYS mainframe having the functionality to maintain a record of the changes made by staff. Such software is available for the IBM. However, as recent as February 2006 it remains unavailable for the UNISYS from UNISYS software distributors. Rumors of software that may serve the function indicate a \$200,000 cost, far beyond the budget of a system slated for replacement in the near future.*

*There is a possibility that a portion of the less costly Visual Studio Pro and Source Safe may be capable of recording who made the changes to programs and what changes they made. It may also track multiple versions. However, it can only record that someone has checked a program out, not prevent two people from checking it out. This would be a strong move towards the auditor's recommendations and may run \$11,000 to \$22,000 per year depending on the number of licenses needed. Since this just came to the attention of SSPS, its full functionality and the ability of the Department to purchase it on a yearly basis will need to be investigated. Until such time software becomes available for UNISYS, SSPS will continue to use its current manual process for risk reduction. The current process requires a sign-on and sign-off identity specific to an individual user and creates an audit trail that is verifiable. Extra supervision is maintained over the safeguards to ensure proper usage of the system since automation is not available for the current system. To date, no problems with this security issue have been detected.*

- *Department personnel can re-point Executive Control Language. This could result in unauthorized computer programs being run.*

*The Department does not concur with this portion of the finding. The Department has the controls in place that do not allow unauthorized programs to run, because the Executive Control Language change is reported to a temporary authorized production environment controlled by ISSD. This controlled flexibility is necessary to ensure payment occurs timely if a problem occurs outside regular working hours. Only authorized on-call staff members have access rights. All parties have been unable to locate UNISYS or other software to perform this function on the mainframe.*

- *Authorization for payments can be made for services that were performed after the service providers have been designated as closed, deceased, or otherwise restricted. This could lead to payments to providers who should no longer be receiving them.*

*Blocking payment to restricted providers removes the ability to make payments that may still be due to those providers or their estates. Several of the divisional front-end systems to SSPS block field staff from opening or extending authorizations that attempt to pay providers that have a 1, 2 or 4 status code in the SSPS Provider File. Those systems are CAMIS, CASIS, CARES, WCAP, and ICMS. Although not fully designed at present, it is planned to have a pop-up warning in the S03 screen (authorization screen) for providers that are status 1, 2, or 4. This will prevent inappropriate new authorizations to these provider status types within the new SSPS WebConnect front-end system that users outside of divisional programs would use. This would reduce many of the possible inappropriate uses of these providers and reduce overpayments.*

*Use of status 4 code is not intended to prevent payment. It alerts the authorizing worker that a provider has some type of finding against them after being given due process; however, rules barring use of a provider vary from program to program. In most instances, a status 4 coded file does not contain an address, thereby ensuring SSPS is contacted and an informed decision is made before any payment is made.*

*The Department continues to look for more secure processes that will allow payment within the system and not allow the possibility of errors.*

- *The information displayed on System user screens is not appropriate to meet the Health Insurance Portability and Accountability Act (HIPAA) privacy requirements.*

*As stated above, the SSPS is behind ISSD and DIS firewalls. Staffs must go through a setup process in order to view SSPS information and must have the legal right to view all information on the SSPS.*

### **Auditor’s Concluding Remarks**

We appreciate the Department’s thorough response and its commitment to resolving these issues. We will review the security features in the WebConnect front-end system and evaluate the identified compensating controls during our next review.

### **Applicable Laws and Regulations**

The State of Washington Office of Financial Management’s *State Administrative and Accounting Manual*, Section 20.20.20.a states in part:

Each agency director is responsible for establishing and maintaining an effective system of internal control throughout the agency.

The Washington State Department of Social and Health Services’ *Information Technology Security Policy Manual*, Chapter 4: Access Security, Identification, & Authorization, states in part:

#### **4.2.2 AUTHENTICATION REQUIREMENTS** **Policy Statement 4.2.2**

Adequate controls must be in place to authenticate users accessing department computers, networks, and applications; see [DSHS IT Security References R4.2.2 Authentication Requirements](#), for further detail.

#### **Standards**

- S1.** Users and other entities such as applications or servers must be authenticated using such methods as login IDs and passwords, digital certificates, smart cards, or tokens.

#### **4.2.3 USER IDS**

##### **4.2.3.1 General User ID Requirements** **Policy Statement 4.2.3.1**

Each system or application must have established procedures to ensure that each user ID is uniquely associated with a user. . . .

#### **Standards**

- S1.** Electronic access to confidential information will always be protected, at a minimum, by a unique user ID, and a password that is constructed and protected as required by [section 4.2.4 Use and Construction of Passwords](#).
- S2.** Assigning duplicate user IDs or sharing user IDs is prohibited, except that generic user IDs with limited access privileges may be used for:
  - Maintenance, troubleshooting, or system monitoring;
  - Training;
  - Shared workstations in secured areas, where no classified data is accessible unless all users have identical access needs; or
  - Program batch runs.

- S3. Users shall not be assigned or be allowed to use bogus user IDs (a user ID created under a fictitious name). This does not prohibit the use of test user IDs  
....

#### 4.2.4.1 General Password Requirements

##### **Policy Statement 4.2.4.1**

Users and system administrators must be informed of the importance of constructing safe passwords and protecting them from unauthorized disclosure; see DSHS IT Security References R4.2.2 Authentication Requirements.

##### **Standards . . .**

- S4. Change passwords at least every 120 days or more often when required by the system. Where the feature is available, system administrators must configure systems to prompt users to change their passwords when they have expired. . . .
- S11. Where possible, password rules must be systematically enforced, including configuring systems so that:
  - a. Entry of passwords on the screen is not viewable (i.e. a character such as the \* is used to hide the actual keyed entry.)
  - b. Passwords are encrypted during storage and transmission using at least 128-bit encryption.
  - c. A “lock-out” mechanism is activated after a maximum of up to five unsuccessful authentication attempts.

The Washington State Department of Social and Health Services’ *Information Technology Security Policy Manual*, Chapter 6: System Design, Development, Maintenance, and Operations, states in part:

#### 6.2.1 SECURITY REQUIREMENTS DURING DESIGN AND DEVELOPMENT

##### **Policy Statement 6.2.1**

IT security must be an integral part of the system development or acquisition process. See DSHS IT Security Procedures P6.2.1 Internet Based Applications, for details.

NOTE: Failure to address and specify security requirements early in a project increases the likelihood that security will prove to be inadequate or that additional costs will be incurred.

##### **Standards**

- S1. Staff will:
  - a. Identify the category of data (see Chapter 3, Classifying and Protecting Data and IT Resources) to be processed or accessed by the system.
  - b. Ensure that appropriate IT security measures are included in the design of the system from the beginning of the project, and
  - c. That plans for securing the system are included in the system’s documentation.
- S2. Where audit trails recording access to information are required, managers or developers must design applications such that the audit trails will be secure, and easily maintained and reconstructed.

#### 6.2.3 APPLICATION ACCESS AND PRIVILEGES

##### **Policy Statement 6.2.3**

Access privileges for each employee must be controlled to ensure that the employee can only access those applications and processes needed in the performance of his or her duties.

## Standards

- S1. Operations Managers must require all applications on DSHS mainframe or client server systems to be regulated by standard access control systems software such as RACF, SIMAN and Security Option 1 for the UNISYS, or SAM for Windows.  
NOTE: Access control systems software can be:
  - a. A feature of an operating system
  - b. An add-on access control package
  - c. A front-end or firewall that performs access control
- S2. A user's session must initially be controlled by access control systems software, and, if defined permissions allow it, control will then be passed to separate application software.
- S3. Managers of mainframe operations must ensure that operators are limited to only those system options for which they have privileges.
- S4. Managers of mainframe operations must separate work duties and responsibilities of employees in the data control center, including input/output processing, production control, and operations.
- S5. No modifications by operations staff to production data, production programs, or the operating system are permitted.
- S6. Only authorized maintenance personnel may access the production library. Controls must be in place to prevent unauthorized use or removal of tape files, diskettes, and other media.

### 6.2.4 MODIFYING MAINFRAME PRODUCTION SYSTEMS

#### Policy Statement 6.2.4

Managers of operations must employ a formal change control procedure to ensure only authorized changes are made to computer production processing at DSHS.

## Standards

- S1. Establish and document a system change control procedure.
- S2. Requests for changes to production programs or systems shall be in writing. This may be done by e-mail so long as the recipient of the request confirms its authenticity, e.g. by phone.
- S3. Provide operations staff with adequate training and operating documentation before a system is moved into production processing.

#### Policy Statement 6.2.5

Managers of IT operations must require logs to be maintained for DSHS production application systems.

## Standards

- S1. All computer systems running DSHS production application systems must include logs which record:
  - a. Changes to critical application system files
  - b. Additions and changes to the privileges of users
  - c. System start-ups and shutdowns
  - d. Attempted system access violations
- S2. It must be possible to reconstruct activities from operation logs . . . .

**05-36 The Department of Social and Health Services, Economic Services Administration, should improve compliance with eligibility requirements for the Temporary Assistance for Needy Families Program.**

**Background**

The Department of Social and Health Services, Economic Services Administration, administers the federal Temporary Assistance for Needy Families program (CFDA 93.558). Federal regulations require each state to fund a certain amount of this program each year or face financial penalties. For assistance payments to clients, the Program spent \$135,281,998 in federal funds and \$143,863,652 in state funds during fiscal year 2005.

The program is designed to provide time-limited assistance to needy families with children and to promote job preparation and work opportunities for the parents. As long as minimum requirements are met, states have flexibility in designing programs and determining eligibility requirements and may use grant funds to provide cash or non-cash assistance. To be eligible under federal requirements, a family generally includes a child under 18 living with the parent(s); in addition, the family must qualify as needy under a state's criteria. The state also has specified that, with certain exceptions, applicants must provide Social Security numbers in order to receive benefits.

During fiscal years 2002 through 2004 audits, we identified weaknesses related to compliance with eligibility requirements and reported them in the Statewide Accountability Reports and in the State of Washington Single Audit Reports.

**Description of Condition**

This year we found similar weaknesses, identifying 68 adult and 34 child clients receiving benefits with improper Social Security numbers. Departmental data for each of these clients included Social Security numbers belonging, according to Social Security records, to deceased individuals with different names and dates of birth.

**Cause of Condition**

In past audits, the Department identified several reasons that may cause these conditions, including data entry error and a client's use of a first or surname at the Department that was different from the one the client submitted to the Social Security Administration. The Department has been in the process of corrective action since our previous audit but was not able to complete additional controls over this system during fiscal year 2005. It will begin verifying all Social Security numbers to the federal source during fiscal year 2006 and will make necessary changes when the numbers do not match. We will review this area again during our fiscal year 2006 audit.

**Effect of Condition**

Clients who may not be eligible for the program are receiving both state and federal benefits. In addition, failure to use all resources available for verifying eligibility could leave the Department susceptible to fraud and could lead to a reduction in federal grant funds.

**Recommendation**

We recommend the Department:

- a. Compare Social Security numbers provided by applicants to those contained in records maintained by other state or federal agencies and investigate any discrepancies.
- b. Require employees to follow state regulations regarding Social Security numbers and investigate and resolve invalid numbers.

**Department's Response**

- *The Department currently requires staff to verify Social Security numbers (SSN) following State and Federal regulations and to review any Alerts created by discrepancies in the SSN.*

- *The Department will review the identified cases for errors and take the necessary action to ensure the SSN is correct.*
- *The Department will be implementing a change to the State On Line Query (SOLQ) system to assist staff with verifying the SSN at the time of application. The Information Technology Division / Automated Client Eligibility System will release this update in April 2006. The Department welcomes the 2006 audit review in this area and expects a significant reduction in errors with the implementation of this SOLQ upgrade.*

**Auditor’s Concluding Remarks**

We appreciate the Department’s efforts in addressing this finding and will review the Department’s progress during our next regular audit.

**Applicable Laws and Regulations**

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

The auditee shall . . .

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

Washington Administrative Code 388-476-0005 states in part:

- (1) With certain exceptions, each person who applies for or receives cash, medical or food assistance benefits must provide to the department a Social Security Number (SSN), or numbers if more than one has been issued.
- (2) If the person is unable to provide the SSN, either because it is not known or has not been issued, the person must:
  - (a) Apply for the SSN;
  - (b) Provide proof that the SSN has been applied for; and
  - (c) Provide the SSN when it is received.
- (3) Assistance will not be delayed, denied or terminated pending the issuance of an SSN by the Social Security Administration. However, a person who does not comply with these requirements is not eligible for assistance.

**05-37 The Department of Social and Health Services, Economic Services Administration, does not adequately monitor other state agencies to which it provides funds from the federal Temporary Assistance to Needy Families Program.**

**Background**

The Department of Social and Health Services, Economic Services Administration, administers the federal Temporary Assistance to Needy Families Program (CFDA 93.558) for the U.S. Department of Health and Human Services. Through interagency agreements, the Administration shares some Program funds with three other state agencies: the Employment Security Department, the Department of Community, Trade and Economic Development, and the State Board for Community and Technical Colleges. In most cases, the Administration determines who is eligible for the Program; however, there are times when the other agencies also determine eligibility. During fiscal year 2005, the Administration spent \$262,767,105 in federal Program funds, including distributions of \$54,124,999 to these three agencies.

As the administering agency, the Department is responsible for ensuring Program funds are used according to federal regulations. During our fiscal year 2004 audit, we found the Administration was not adequately monitoring the use of Program funds by the other three agencies and could not be sure these funds were being used for allowable purposes.

**Description of Condition**

This year we found the Administration has not sufficiently addressed this control weakness. The Administration still does not receive adequate supporting documents or perform adequate monitoring of the agencies with which it shares Program funds. It has designed a monitoring plan for these contracts and performed some monitoring during the year, but this has not been sufficient to ensure funds are being used only for allowable purposes.

Specifically, we reviewed invoices totaling \$22,225,754 sent to the Administration by the State Board for Community and Technical Colleges for services the colleges delivered to students during fiscal year 2005. Documents attached to the Board invoices included four categories of payments being claimed, including payments to the colleges for the education and training of students the colleges had determined to be eligible for Program funds. Payments to the Board for amounts in this category totaled \$7,516,082. We found the following:

- The Administration did not evaluate the procedures colleges used to make these assessments or perform adequate reviews to determine whether applicable students were truly eligible.
  - Administration monitoring procedures rely on using data in its client eligibility and jobs systems. Data for students determined to be eligible by the colleges is not available in these systems, nor has the Administration requested it; therefore, the Administration cannot monitor this type of eligibility with this method.
  - The Administration's monitoring plan for the Board's activities included a procedure to select a sample of students to review for eligibility; however, the Administration relied on the Board to perform the selection. This nullified the validity of the sample and any conclusions drawn from the review.
- The Administration did not adequately review billings prior to payment.
  - The billings from the Board were not always supported with a record of the number of students being served, and the Administration did not follow-up on this omission.
  - The review the Administration performed when testing for eligibility did not include tracing the student clients in the sample to the billings to ensure support existed for those billings.

## **Cause of Condition**

The Administration indicated there was no clear statement written in the agreement that required the other agencies to be monitored by the Administration for their performance. Further, the Administration's contract monitoring plan was not designed to ensure that billings were accurate and were for eligible students and allowable program purposes.

## **Effect of Condition**

The Administration does not have assurance that Program funds were used for allowable purposes. We question the \$7,516,082 in federal funds paid to the Board for students whose eligibility the Administration did not monitor.

## **Recommendation**

We recommend the Administration design and follow a monitoring plan that will help ensure agencies receiving Program funds are using those funds for allowable purposes.

## **Department's Response**

*The Department agrees in part with the findings.*

*WorkFirst is a unique partnership of four state agencies working together, yet each agency has its own accountability process.*

*We acknowledge problems with the current techniques that are in place to monitor the partner agencies for assurance that program funds are used for allowable purposes. The current system is not adequate for monitoring agencies providing services under these contracts and systematically receiving adequate supporting documentation.*

*In response to the 2004 audit finding, the Department did initiate the following steps to improve the monitoring and documentation of WorkFirst partner's:*

- *The Division of Employment and Assistance Programs (DEAP) monitored billings through a randomly selected sample of clients served.*
- *A DEAP Program Manager conducted on-site reviews at each Partner Agency.*
- *Verified services provided and documentation required in the E-JAS system.*

*We acknowledge that additional steps are needed. The Department has met with the WorkFirst partners and it was agreed that the Statement of Work contained in the Interlocal agreements with the Employment Security Department, State Board of Community and Technical Colleges, and the Department of Community Trade and Economic Development will be amended by May 1, 2006 to include:*

- *Regular monitoring of contracted programs and allowable services.*
- *Required submission and collection of the necessary supporting documentation.*

*The Department has met with the State Board of Community and Technical Colleges on the questioned costs. They have assured us that they have the supporting documentation proving that all of the students were eligible for services billed. As part of its corrective action plan, the Department will collect the supporting documents to verify that the \$7,516,082 cited by the state auditors was used for eligible students, consistent with state and federal laws, regulations, and rules. The Department will request this data from the SBCTC by March 1, 2006 with a due date of May 1, 2006. Review of returned verification will be completed by July 1, 2006.*

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

We reaffirm our finding. We appreciate the Department's continuing efforts to resolve the issues identified in the finding and will review this area in our fiscal year 2006 audit. We also appreciate the cooperation extended to us throughout the audit by Department staff.

### **Applicable Laws and Regulations**

Title 45 of the Code of Federal Regulations, Section 92.40, Monitoring and reporting program performance, states in part:

- (a) Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

**05-38 The Department of Social and Health Services, Economic Services Administration, did not comply with state and federal regulations requiring a monthly inventory of electronic benefit transfer cards used by the Food Stamp Program.**

**Background**

The Department of Social and Health Services, Economic Services Administration, administers the federal Food Stamp Program (CFDA 10.551/10.651) as the Washington Basic Food Program. The Program helps low-income people obtain a nutritious diet by supplementing their income with Basic Food benefits. In fiscal year 2005, approximately 7 percent of the state's population received total federal benefits of \$518,739,108, with an average benefit per household of about \$170 per month. The Department received federal funds of \$43,217,908 for the costs of administering the Program.

The Department's Community Service Offices issue electronic benefit transfer cards to those families they have determined to be eligible. These households use the cards to purchase eligible food products.

Unissued cards are maintained at the Offices. Federal regulations require states to establish security measures to prevent the loss, damage or unauthorized transfer and use of the cards. The regulations specifically require secure card storage controls and the retention of applicable records. To help address this, the Department has established its own requirement that the cards be inventoried and discrepancies reconciled each month in each Office.

**Description of Condition**

We found the Offices are not always performing the required inventory counts and reconciliations. We reviewed records for the entire year at four Offices and found one provided no reconciliations at all, while another provided only a few months. We selected six more Offices and reviewed records for a six-month period. One of these Offices was able to provide documents for only four reconciliations during that time, while another provided documents for only two.

**Cause of Condition**

Office staff members indicated that staff changes and availability prevented them from following the inventory requirements.

**Effect of Condition**

Electronic benefit transfer cards are at increased risk of being removed and used inappropriately. Losses could occur and not be detected on a timely basis, if at all.

**Recommendation**

We recommend the Department comply with the requirements of federal law and agency procedures by completing and documenting a monthly electronic benefit transfer card inventory and reconciliation. We also recommend the Department ensure these records are maintained for the required period of time.

**Department Response**

*The Department agrees with this finding.*

*The Community Services Division (CSD) will implement major changes with the electronic benefit transfer card (EBT) inventory and reconciliation process. The new requirements are as follows:*

- *All Community Service Offices (CSO's) will be required to send a reconciliation report each month to their Region office. Region office staffs will be required to send a monthly report to Headquarters reporting all offices in the region have reconciled.*

- *Headquarters will monitor and follow up on any Region not reporting as required.*
- *A review of the reconciliation process will be sent to the field to ensure all CSO's understand and follow the required process.*
- *The new reporting requirements will be reviewed with the Regional Administrators with a follow up expectations letter to the field from the CSD Director.*

*These changes will be implemented by April 1, 2006.*

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

We appreciate the Department's commitment to resolving the issue identified in the finding and will review the corrective action in our fiscal year 2006 audit. We also appreciate the cooperation extended to us throughout the audit by Department staff.

### **Applicable Laws and Regulations**

The federal Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, Compliance Supplement, Special Tests and Provisions for the Food Stamp Program states:

#### 3. Issuance Document Security

Compliance Requirement - The State is required to maintain adequate security over, and documentation/records for...EBT cards (7 CFR section 274.12(h)(3)....

7 CFR section 274.12(h)(3) states:

(3) System security. As an addition to or component of the Security Program required of Automated Data Processing systems prescribed under Sec. 277.18(p) of this chapter, the State agency shall ensure that the following EBT security requirements are established:

(i) Storage and control measures to control blank unissued EBT cards....

7 CFR section 274.11 states:

(a) Availability of records. The State agency shall maintain issuance, inventory, reconciliation, and other accountability records for a period of three years as specified in Sec. 272.1(f) of this chapter. This period may be extended at the written request of FNS.

Section 8.9 of the Department's training manual for the Program provides detailed instructions for a monthly reconciliation process, including a prohibition against issuing cards to staff or clients until all cards and card numbers have been reconciled

**05-39 The Department of Social and Health Services, Division of Disability Determination Services, did not comply with state and federal regulations when contracting for services paid with Social Security Disability Insurance Program funds.**

**Background**

The Department of Social and Health Services, Division of Disability Determination Services, administers the Social Security Disability Insurance Program (CFDA 96.001) with funds from the U.S. Social Security Administration. This Program pays monthly cash benefits to eligible claimants to replace earnings lost due to physical or mental impairments that prevent the individual from working. In general, State agencies make initial disability determinations for the federal government, which then pays them, either in advance or in reimbursement, for the costs of making such determinations. During fiscal year 2005, the Division spent \$37,582,178 in federal funds to determine claimants' medical eligibility for disability benefits.

To assist in making proper determinations, the Division purchases medical examinations, X-ray services and laboratory tests to supplement evidence obtained from the claimants' physicians or other health care sources. These purchases are for personal services known as consultative evaluations and are obtained from two sources: individual medical professionals and companies that employ or subcontract with medical professionals. In state fiscal year 2005, the Division spent \$5,225,989 for consultative evaluations by individual medical practitioners and \$2,514,388 for consultative evaluations by companies that employ or subcontract with medical professionals.

Federal regulations applicable to the awarding of federal funds to states require the states to follow their own laws and regulations for contracting for services with these funds. Personal service contracts in this state must follow prescribed procurement regulations, including a formal competitive procurement process if the amount is more than \$20,000.

**Description of Condition**

The Division did not comply with state regulations for contract procurement and therefore is not in compliance with federal regulations. During our review, we found:

- For consultative evaluations by individual medical practitioners:
  - No competitive procurement process was followed for these services. The Division learned of interested providers informally through word-of-mouth. Many practitioners were paid amounts that substantially exceeded the threshold of \$20,000, requiring a formal competitive procurement process.
  - No contracts existed for any of these services.
- For consultative evaluations by companies that employ or subcontract with medical professionals:
  - The Division mailed a solicitation letter to four companies without establishing whether other companies might be interested in competing for the business. The Division did not have written documentation explaining why more firms were not contacted.
  - Of the four companies contacted, two responded. Division management stated that the other companies did not submit proposals because of insurance requirements. This is of particular concern because, after we discovered and reported to management that one of the two contractors did not meet the insurance requirements, the Division granted an exception from this requirement to the contractor. Since insurance was part of the contract procurement requirements, granting an exception may not have been in the best interests of the state.

**Cause of Condition**

The condition was caused by lack of knowledge regarding state procurement requirements.

## Effect of Condition

The Department cannot ensure the state's resources were used in the most economical manner possible. In addition, the state may not be adequately protected when more than \$5 million in services is purchased without written contracts and terms.

We question the \$7,740,327 in federal funds paid for both types of consultative evaluation services in fiscal year 2005.

## Recommendation

We recommend the Department:

- Properly classify consultative evaluation contracts as personal service contracts.
- Follow appropriate competitive procurement procedures.
- Prepare and maintain contract documentation for consultative evaluations by individual medical practitioner.

## Department's Response

*The Department of Social and Health Services, Division of Disability Determination Services (DDDS) does not agree with the auditor's assertion that medical providers who perform consultative examinations of claimants should be categorized as personal services and therefore these services must be competitively procured. The Division has been operating under the Office of Financial Management (OFM) classification of these contracts as client service. We recognize that there is a difference of opinion between the auditors and OFM. The Division will seek clarification of whether these services should be classified as personal service or client service from OFM.*

*Per our federal guidelines contained in the Social Security Administration's (SSA) Program Operational Manual Systems (POMS), DI 39545.260 #8 , "The Division **may consider** conducting a study to determine the feasibility of using competitively awarded contracts for medical services with both large and small volume providers, including individual and group practices."*

*The Division would like to correct the auditor's statement that "after we discovered and reported to management that one of the two contractors did not meet the insurance requirement; the Division granted an exception from this requirement to the contractor. Since insurance was part of the contract procurement requirements, granting an exception may not have been in the best interests of the state."*

*This contractor was a limited liability company (LLC) formed by a non-medical individual who had two psychiatrists who worked for the business entity. These medical providers perform the Division's medical evaluations. While the business entity was able to acquire liability insurance in the amounts the Department requires, the business entity could not acquire medical liability or omissions insurance. However, the two medical providers who worked for the entity each had the appropriate medical liability insurance in the amounts required by the Department and submitted certificates of insurance proving this to Central Contracting Services (CCS). CCS is the Department's contracting authority and CCS **accepted** the insurance coverage as it pertained to this entity as meeting the Department's contractor insurance requirement. The insurance requirement was not waived for this entity.*

*The Division agrees with the auditor's finding that no contracts exist with individual medical providers. The Division is given the responsibility of management and oversight of the Consultative Examination Process. One of the Policy Guidelines the Division must follow is to, "Maintain a good working relationship with the medical community in order to recruit sufficient physicians and other providers of medical services to ensure ready availability of Consultative Examination providers." (POMS DI 29545.230) On average, the Division sends 100-150 recruiting letters a year to professionals requesting their services in areas throughout the state. Our typical success rate is between 10-20%. The Division has difficulty recruiting because:*

- *SSA documentation and report requirements are detailed and very specific*
- *Examinations take a considerable amount of time out of a doctor's practice*
- *Our client population has a risk of not showing for appointments which adds more burden of lost time and money for professionals*
- *DDDS fees are not commensurate with market rate for the detail we require*
- *Because of the malpractice insurance cost and doctors leaving WA state to practice elsewhere, resources are depleted, especially in rural areas and professionals are too busy with their own patients*
- *Specialists are already too busy with their own patients and do not have the necessary time to spend to do an exam and report*
- *Health Maintenance Organization's, Health Networks, etc. do not allow doctors to "moonlight" or work outside their company*

*The Division has always used a fee for service voucher contract for individual doctors because of the difficulty we have in recruiting. As long as professionals meet the professional qualifications for doing consultative exams, we do not turn anyone away. We supply them with our rules, regulations, and guidelines and put them in the mix of scheduling. Our scheduling system is designed to create a fair and equitable process. Examination requests are pulled up on a queue based, on location of claimant, and type of exam. Corresponding available doctors meeting this criterion come up for scheduling. Doctors appear for scheduling in a rotational order. After an exam is scheduled with a doctor, he/she then moves to the bottom of the list and will not be scheduled again until we have scheduled with all other available, willing, and eligible doctors. In some areas, we may only have one doctor available and willing.*

*Due to the large number of psychiatric examinations (60 percent of our exams), and the lack of psychiatrists willing to do these examinations, we developed client service contracts to appeal to a provider or company by offering volume of exams in different counties. In an effort to ensure the state's resources were used economically and still obtain the necessary service, we set the client service contract fee lower than our published fee schedule. Even though client service contracts do not require a competitive bid process, we did send the contracts to five companies and one individual provider. One company did not respond, two responded stating our fees were too low, and the individual provider could not meet the insurance requirements. Of the two companies that bid the contract, both were awarded.*

*Because of the reasons associated with difficulty in recruiting, we often will attract semi-retired or retired providers who may not carry the amount of insurance required by Department contracts. The Division examinations are a one time medical or mental assessment of the claimant which considerably reduces the risk to the provider and the Department. Because of the extremely low risk to the state, the Division does not require the Department's insurance required amount, in order to maintain a sufficient amount of resources as directed by SSA.*

*The Division is in the process of drafting a Core Provider Agreement similar to those used by the Health and Recovery Services Administration/Medical Assistance Administration for all independent providers. We are working with the Attorney General's office to develop the appropriate language for the agreement and hope to have this ready for dissemination by the end of the calendar year.*

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

We considered the Division's response and reaffirm our finding.

We relied on the Office of Financial Management contract guidelines to help determine if these contracts should properly be considered personal services contracts. Based on grant documentation, the federal government refers the disabled worker to the Division to assist it in making a disability determination and reimburses the Division for its costs; therefore, the federal government, not the applicant, is the Division's client.

Division management stated it was difficult to recruit providers for these services but did not provide evidence of a recruiting and evaluation process to support that statement. In addition, we remain concerned about the lack of contract documentation of insurance coverage that was part of the application requirement.

We appreciate the Department's efforts to resolve the issues identified in the finding and we will review the corrective action in the fiscal year 2006 audit. We also appreciate the cooperation extended to us throughout the audit by Department staff.

### **Applicable Laws and Regulations**

The U.S. Office of Management and Budget's *Cost Principles for State, Local and Indian Tribal Governments*, Circular A-87, Attachment A, Section C states in part:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
  - c. Be authorized or not prohibited under State or local laws or regulations....

RCW 39.29.006 states in part:

(3) "Competitive solicitation" means a documented formal process providing an equal and open opportunity to qualified parties and culminating in a selection based on criteria which may include such factors as the consultant's fees or costs, ability, capacity, experience, reputation, responsiveness to time limitations, responsiveness to solicitation requirements, quality of previous performance, and compliance with statutes and rules relating to contracts or services.

(7) "Personal service" means professional or technical expertise provided by a consultant to accomplish a specific study, project, task, or other work statement....

RCW 39.29.011 states in part:

All personal service contracts shall be entered into pursuant to competitive solicitations, except for...

- (1) Emergency contracts;
- (2) Sole source contracts;
- (3) Contract amendments;
- (4) Contracts between a consultant and an agency of less than twenty thousand dollars. However, contracts of five thousand dollars or greater but less than twenty thousand dollars shall have documented evidence of competition. Agencies shall not structure contracts to evade these requirements;...

The Office of Financial Management's *State Administrative and Accounting Manual*, states in Section 15.10.10:

Personal services are to be procured and awarded by state agencies in accordance with the requirements of Chapter 39.29 RCW.

Section 15.20.30.a states:

Competitive solicitation for contracts of \$20,000 or greater requires a documented, formal solicitation process as described in the following subsections. (*Auditor's note: Following this section are detailed regulations for this process.*)

Section 20.20.20 states in part:

Each agency director is responsible for establishing and maintaining an effective system of internal control throughout the agency.

The Office of Financial Management's *Guide to Personal Service Contracting*, Section 1.3, states in part:

Personal services are professional or technical services provided by a consultant to accomplish a specific study, project, task, or other work statement. Consultants, who provide personal services, serve state agencies as objective advisers by rendering professional opinions, judgments, or recommendations.

Section 1.6 of the *Guide* lists as an example of personal services:

Medical and psychological services, including evaluation and consultative services

The Office of Financial Management's *Guide to Client Service Contracting*, Introduction, page 2, states in part:

Clients are those individuals the agency has statutory responsibility to serve, protect, or oversee...

**05-40 The Department of Social and Health Services, Division of Disability Determination Services, reported incorrect expenditures for the Social Security Disability Insurance Program on several reports, including the Schedule of Expenditures of Federal Awards.**

**Background**

The Department of Social and Health Services, Division of Disability Determination Services, administers the Social Security Disability Insurance Program (CFDA 96.001) with funds from the U.S. Social Security Administration. This Program pays monthly cash benefits to eligible claimants to replace earnings lost due to physical or mental conditions that prevent the individual from working. In general, State agencies make initial disability determinations for the federal government, which then pays them, either in advance or through reimbursement, for the costs of making such determinations. During fiscal year 2005, the Division spent \$37,582,178 in federal funds to determine claimants' medical eligibility for disability benefits.

As part of monitoring the Division and its performance, the Social Security Administration requires specific reports to be filed weekly, monthly, quarterly, and annually. The quarterly Report of Obligations for SSA Disability Programs helps the Administration to plan and authorize federal funding for the Division. In addition, as a condition of receiving federal funds, state agencies must report the total spent during the state fiscal year on the annual Schedule of Expenditures of Federal Awards

**Description of Condition**

When we attempted to reconcile reported Program data to accounting records, we found::

- The amount reported in the Schedule of Expenditures of Federal Awards was overstated by \$2,218,301. June medical accruals, which are liabilities that have not been paid by the Division, were mistakenly entered twice into the state's Agency Financial Reporting System at fiscal year end.
- The yearly total of the payment amounts taken from the Division's in-house accounting system and reported in the quarterly Reports of Obligations was understated by \$1,203,997. Division management had no explanation for this underreporting.

**Cause of Condition**

The Division does not reconcile among its various reports and two different accounting systems to ensure differences are identified, explained and corrected in a timely manner.

**Effect of Condition**

The federal grantor has not received accurate information to use for monitoring purposes. This could affect future federal funding.

**Recommendations**

We recommend the Division perform adequate reconciliations to ensure it is reporting correct Program financial data to the grantor.

**Department's Response**

*The Division agrees with the finding that the Division's June medical accrual journal voucher was entered into the state accounting system twice in error. This breakdown in normal internal control procedures occurred as a direct result of being short staffed, with two of four staff gone on maternity leave. This is an isolated incident that should not occur in the future.*

*The Division along with the Office of Accounting Services (OAS) is attempting to reconcile the Division's Quarterly 4513 reports to the amounts that OAS reports on the Schedule of Expenditures of Federal Awards (SEFA) for state fiscal year 2005. OAS will report the conclusion of the reconciliation to the Auditors as soon as possible. However,*

*it is unknown, due to the complexity of the two different bases used, if a complete reconciliation will be possible. OAS reports grant expenditures on the SEFA with different bases than the Division reports expenditures and obligations to SSA. There is also the question of grant monies reported under the two Catalog of Federal Domestic Assistance (CFDA) numbers that SSA funds roll up to because they include grant funds expended by the Division of Vocational Rehabilitation. These expenditures are not included in the Division's official Quarterly 4513 reports.*

*The Division disagrees with the Auditor's "Cause of Condition." The Division uses the State's Agency Financial Reporting System (AFRS) for all expenditure processing and uses the State's Enterprise Reporting System to pull detailed reports of expenditures. The Division's in-house system, AS400, is used to collect medical obligation data only. The Division has internal controls in place to ensure all expenditure or disbursement data and all known obligations are reported to SSA in the period that they occur.*

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

The Department was not able to provide us with appropriate reconciliations during our review. We reaffirm our finding that Program expenditures were reported incorrectly.

We appreciate the Department's commitment to resolving the issues identified in the finding and will review the corrective action in the fiscal year 2006 audit. We also appreciate the cooperation extended to us throughout the audit by Department staff.

### **Applicable Laws and Regulations**

The U. S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart C, states in part:

#### Section .310 Auditee Responsibilities: Financial Statements

- (b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. . . . At a minimum, the schedule shall:
  - (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs.
  - (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

Title 20 of the Code of Federal Regulations, Part 437, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, states in part:

#### Section 437.20 Standards for financial management systems. Financial Administration:

- (a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—
  - (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
  - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

(1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

(2) Accounting records. Grantees and subgrantees must maintain records that adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

(3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

The Office of Financial Management's *State Administrative and Accounting Manual* lists the following accounting and control requirements:

Section 50.30.45:

Responsibilities of state agencies/institutions administering or expending federal awards

1. Develop internal policies in accordance with this policy and the requirements of the Act and Circular.
2. Identify, account for, and report all expenditures of federal awards in accordance with laws, regulations, contract and grant agreements, and requirements included in this and other sections of the OFM, State Administrative and Accounting manual.
3. Provide year-end, certified, federal financial data per requirements included in Chapter 95.

**05-41      The Department of Social and Health Services, Division of Disability Determination Services, received reimbursement for unallowable costs for the Social Security Disability Insurance Program.**

**Background**

The Department of Social and Health Services, Division of Disability Determination Services, administers the Social Security Disability Insurance Program (CFDA 96.001) with funds from the U.S. Social Security Administration. This Program pays monthly cash benefits to eligible claimants to replace earnings lost due to physical or mental impairments that prevent the individual from working. In general, state agencies make initial disability determinations for the federal government, which then pays them, either in advance or in reimbursement, for costs in making such determinations. During fiscal year 2005, the Division spent \$37,582,178 in federal funds to determine claimants' medical eligibility for disability benefits.

Federal regulations require states to follow their own laws and regulations when spending federal funds. The state of Washington requires all expenditures to be adequately supported and has described the minimum standards for payment support.

**Description of Condition**

The Division, the Social Security Administration, and the Washington State Patrol entered into a Memorandum of Understanding in October 2004 to create a Cooperative Disability Investigations Unit to investigate cases of possible disability fraud. The agreement names specific allowed costs for the Patrol and states that the Division will reimburse the Patrol only for those costs. The agreement does not include any provision for indirect costs.

We reviewed one 2005 quarterly billing from the Patrol for \$76,021, consisting of \$19,555 for unallowable indirect costs and \$56,466 for other costs that were unallowable because they were not supported by documentation provided by the Patrol. We found the Division paid the total invoice and then requested reimbursement from the Administration.

**Cause of Condition**

The Division did not adequately review the transaction and the Memorandum of Understanding prior to payment and request for reimbursement to determine which costs were allowable.

**Effect of Condition**

The Division received funds from the federal grantor for payments that were unallowable under Memorandum terms and federal and state regulations. We question the \$76,021 in unallowable costs we found in this one quarterly billing. Unallowable costs could be even higher if other billings had similar conditions.

**Recommendations**

We recommend the Division:

- Strengthen its review of documentation before making future payments and requesting reimbursement.
- Review prior billings to determine if it paid other unallowable costs, request reimbursement for any improper amounts from the Patrol, and then reimburse the federal grantor for these amounts.

**Department's Response**

*The Department of Social and Health Services, Division of Disability Determination Services agrees with the Auditor's assessment that the Division may have paid indirect costs to the Washington State Patrol (WSP) that would be considered unallowable because there was no provision for these costs in the Memorandum of*

*Understanding (MOU) that was signed by representatives from the Social Security Administration (SSA), the Division and the WSP.*

*The Division has been in contact with SSA's Regional Office in Seattle. This office has federal oversight over the Division and wrote the original MOU between SSA, WSP and the Division. Currently, SSA's Regional Office is writing a new MOU between all parties involved. The new MOU will include a provision for indirect costs.*

*The Division agrees with the Auditor's finding that the Division paid \$56,466 to the WSP that was not supported by adequate back-up documentation. However, the costs in question were payroll costs and these are allowable costs under the terms of the MOU. Since the audit, the Division reviewed all paid WSP billings from the inception of the Cooperative Disability Investigations Unit (January 2003) until current and did not find any instance where the Division over or underpaid the WSP.*

*The Division agrees that Fiscal Staff did not previously completely review the WSP billing documentation adequately. The Division has implemented internal controls that will ensure that every billing is reviewed for adequate documentation prior to payment.*

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

We appreciate the Department's commitment to resolving the issues identified in the finding and will review the corrective action in the fiscal year 2006 audit. We also appreciate the cooperation extended to us throughout the audit by Department staff.

### **Applicable Laws and Regulations**

Title 20 of the Code of Federal Regulations, Section 437, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, states in part:

437.20 Standards for financial management systems. Financial Administration:

- (a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds.
- (b) The financial management systems of other grantees and subgrantees must meet the following standards:
  - (5) Allowable cost. Applicable OMB cost principles, SSA program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.
  - (6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

The Office of Financial Management's *State Administrative and Accounting Manual* lists the following accounting and control requirements:

#### **Section 85.32.10: Agency Responsibilities**

It is the responsibility of the agency head, or authorized designee, to certify that all expenditures/expenses and disbursements are proper and correct. Agencies are responsible for processing payments to authorized vendors, contractors, and others providing goods and services to the agency. Agencies are to establish and implement procedures following generally accepted accounting principles.

Section 85.32.20b: Payment Authorization

Prior to payment authorization, agencies are to verify that the goods and services received comply with the specifications indicated on the purchase documents. Authorized personnel receiving the goods and services are to indicate the actual quantities received.

Section 85.32.30a: Payment Processing Documentation

At a minimum, payment processing documentation should include evidence of authorization for purchase, receipt of goods or services, and approval for payment.

Section 85.32.40: Payment Processing related to accuracy of support states in part:

- (b) Agencies are to establish procedures which verify the mathematical accuracy of all documents and ensure that charges are properly recorded to the appropriate accounts.
- (c) Audit disbursement documents for the following:
  - Quantities indicated on the invoice agree with those documented as received on the receiving report.
  - Unit prices on the invoice agree with those indicated on the disbursement document.
  - Extensions and footings are correct.
  - Written approval by the agency head or authorized designee authorizing payment appears on the disbursement document.

The *Memorandum of Understanding for Cooperative Disability Investigations (CDI)* states in part:

Section IXB, fourth bullet: WSP Detectives and Office Assistant Senior (OAS)

SSA will provide additional funding to the Washington DDS (as discussed above) to reimburse the WSP for the personnel costs incurred for their detectives and OAS assigned to the CDI Unit, including salary, fringe benefits, and overtime (if needed), and other allowable expenses identified in this agreement.

Section IXC, first bullet: WSP Detective Vehicles

The WSP will provide two official vehicles to the WSP detectives assigned to the CDI Unit. SSA agrees to provide the Washington DDS with funds to reimburse the WSP's costs and all routine operational expenses of those vehicles exclusively identified for program utilization, with the use of such vehicles restricted to CDI Unit official use only. WSP acknowledges that its detectives will be covered by the State's self-insurance program when operating the two assigned vehicles in the course and scope of their official duties.

Section IXD, Other

The SSA will fund CDI-specific training and travel and all other costs necessary to maintain and operate the Seattle CDI Unit effectively, subject to the liability conditions set forth in Sections VIII and IX of the MOU and subject to the availability of funds.

**05-42 The Department of Social and Health Services, Health and Recovery Services Administration, claimed costs for unallowable activities under the State Children's Health Insurance Program.**

**Background**

The Department of Social and Health Services, Health and Recovery Services Administration, administers the federally-funded State Children's Health Insurance Program (CFDA 93.767). This Program provides health care to uninsured, low-income children not eligible for Medicaid, including children born in this country of undocumented alien parents. The latter are covered for prenatal care and associated health services from conception to birth. Total Program payments during fiscal year 2005 were \$37, 238,638.

During federal fiscal years 2004 and 2005, qualifying states, including Washington, were permitted to use up to 20 percent of their federal fiscal year 1998-2001 Program awards to help pay for coverage for Medicaid-eligible children whose family income fell within certain limits. The expenditures transferred from Medicaid to the Program had to be for allowable activities as defined by federal requirements and could not be charged to the Program to avoid Medicaid restrictions. Such restrictions include a Medicaid prohibition against payments for medical services to undocumented aliens for anything except emergencies or labor and delivery. We have reported findings related to unallowable services provided with Medicaid funds to undocumented aliens for the past four years.

**Description of Condition**

Because of the risk associated with unallowable Medicaid payments for pregnant undocumented aliens (*See Findings M05-08 and M05-09 in our Medicaid Report for fiscal year 2005.*), we reviewed such payments to determine if any costs for services other than labor and delivery had been transferred from Medicaid to the Program.

We found that \$1,573,409 of unallowable Medicaid services for pregnant women, including dental procedures, eye care and durable medical equipment, had been transferred from Medicaid. These costs were also unallowable under the Program's requirements, as they were services for the benefit of the mothers rather than of the children.

**Cause of Condition**

We found:

- The Administration has no policies and procedures in place to identify allowable costs before they are transferred from Medicaid to the Program.
- According to management, the Administration does not have the staffing and expertise to review the potential 700,000 to 1 million claims for services related to births before transferring costs. Therefore, it simply included in the transfers all charges beginning at nine months before each birth, regardless of the actual length of pregnancy or allowability of the charges.
- Staff members believe that labor and delivery coverage includes all costs associated with the mother, regardless of the nature of those costs.

**Effect of Condition**

Costs that were unallowable for reimbursement in both the Program and Medicaid were transferred from Medicaid to the Program and federal reimbursements for those unallowable costs were obtained. We question the \$1,573,409 of Program payments made for unallowable purposes.

**Recommendation**

We recommend the Administration:

- Establish adequate internal controls to ensure it transfers to this Program only those Medicaid expenditures that are allowable.

- Provide training and resources to help Program employees distinguish between allowable and unallowable costs.
- Work with the grantor to determine the amount it owes for the unallowable costs transferred to the Program and reimbursed by the federal government.

### **Department Response**

*The Department partially concurs with this finding for the following reasons:*

- *The Administration does have policies and procedures in place to identify allowable costs for transfer from Medicaid to the State Children’s Health Program (SCHIP). Our current process involves a quarterly matching of Department of Health (DOH) live births to claims data for the period of one day prior to birth and back 270 days. From this data, inpatient hospital claims for labor & delivery, abortion, and sterilization are excluded.*

*Additionally, the Administration has been advised by CMS in an e-mail dated December 12, 2005 from Elizabeth Trias that they will “allow costs for such services as dental, vision care and physical therapy since Washington covers all services for women under the SCHIP unborn as they do under the pregnant women’s program.” As a result, the Administration will not isolate these costs from our current process.*

- *The Administration would like additional detail information of the questioned costs of \$1,573,409 in order to determine how these are related to labor & delivery, postpartum and family planning. This information will enable us to better refine our current process so that we can isolate the ineligible costs. We would not be able to review each individual claims but we can identify diagnosis and/or procedure codes for exclusion.*
- *As noted above, the Administration does exclude all inpatient hospital claims for labor & delivery in our current process.*

### **Auditor’s Concluding Remarks**

The Department’s response confirms the use of a method that does not comply with the State plan because it does not filter for eligible procedure codes over the 271 day period. The CMS approval letter for the Program amendment for prenatal care states:

Specifically, this amendment allows coverage for unborn children with family incomes up to, and including, 185 percent of the Federal poverty level and who are not eligible for Medicaid. Coverage will begin at conception and continue through birth. Benefits will include prenatal care and associated health services for children.

We have not received a copy of the e-mail cited in the Department’s response and have not been able to review its origin, content or context. We affirm our finding that charges that would not reasonably be included in prenatal care and associated health care for children from conception until birth were transferred and paid by the Program.

### **Applicable Laws and Regulations**

The U.S. Office of Management and Budget’s Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, Section C.3.c states in part:

Any cost allocable to a particular Federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal award, or for other reasons....

Title 42 of the Code of Federal Regulations, Section 457.224 (a)(2), states for FFP (*Auditor’s note: Federal Financial Participation*): Conditions relating to cost sharing:

(a) No FFP is available for the following amounts, even when related to services or benefit coverage which is or could be provided under a State SCHIP program--

(2) Any amounts paid by the agency for health benefits coverage or services furnished to individuals who would not be eligible for that coverage or those services under the approved State child health plan, whether or not the individual paid any required premium or enrollment fee.

42 CFR 457.226 Fiscal policies and accountability.

A State plan must provide that the SCHIP agency and, where applicable, local agencies administering the plan will—

(a) Maintain an accounting system and supporting fiscal records to assure that claims for Federal funds are in accord with applicable Federal requirements;...

**05-43 The Department of Social and Health Services, Mental Health Division, did not comply with state laws or the Department's policies and procedures for recovering a Community Mental Health Services Block Grant overpayment reported in the previous audit.**

**Background**

The Department of Social and Health Services, Mental Health Division, administers the federal Community Mental Health Services Block Grant (CFDA 93.958), received from the U.S. Department of Health and Human Services. This Program provides funds to states and territories to help them provide comprehensive, community-based mental health services for adults with serious mental illness and children with serious emotional disturbances. These services may include direct services to clients or other professional/technical services. The Division contracts with service providers and professional and technical contractors to provide Program services. In fiscal year 2005, the Department spent \$8,584,851 in this Program.

In our fiscal year 2004 State Accountability Report and State of Washington Single Audit Report, we described a Division contract with a vendor to provide training to Division clients. The amount of \$112,000 was to be provided entirely by federal funds from this Block Grant. Federal regulations require states to follow their own laws and regulations when spending federal funds.

We found the Division paid the vendor an advance of \$72,000, contrary to both state law and regulations. The contract was terminated after \$88,900 had been paid; the services were never completed. We questioned the \$72,000 in advance payments and recommended the Division comply with state and federal regulations. The Division responded it would develop policies and procedures, along with a mechanism for oversight, that would preclude further advance payments.

**Description of Condition**

While following-up on the resolution of the previous finding, we found:

- The Division has not yet begun developing policies and procedures to preclude advance payments.
- Department policy requires each of its divisions to establish written policies and procedures for identification and resolution of questionable bills from, or payments to, providers and vendors. The Division has not complied with this requirement.
- Department policy requires overpayment data to be forwarded to its Office of Financial Recovery for collection and provides that only the Office may forgive debt. The Division did not follow this policy. It did not:
  - Complete an analysis to determine how much of the \$72,000 advance might have been earned by the contractor before the contract was terminated.
  - Advise Financial Recovery of the remainder to be collected and allow it to determine if the debt should be collected or forgiven.

**Cause of Condition**

Division management stated its recent restructuring and large staff turnover have prevented it from working on policies and procedures. The Division did not pursue repayment because management believed the contractor had gone out of business and the funds could not be collected.

**Effect of Condition**

No policies and procedures have been established to help prevent further advance payments and to assist in recovering future overpayments. In addition, the Office of Financial Recovery has no record that would allow it to pursue collection of this particular overpayment.

## **Recommendation**

We recommend the Division establish and follow appropriate written policies and procedures. We also recommend the Division advise Financial Recovery of the amount the Office should attempt to recover from the contractor so that the federal funds can be reimbursed.

## **Department's Response**

*The Department partially agrees. The FY04 audit finding and State Auditor's Office recommendation were addressed through implementation of a corrective action plan. We recognize a need for further refinement of our policies and procedures to address a recovery process with the Office of Financial Recovery. The Mental Health Division (MHD) will assess and amend policies and procedures accordingly.*

*The finding and recommendation as cited above suggests that there was an overpayment. The MHD disagrees with this assumption based upon the following facts.*

*The contract in question had a pay point reimbursement methodology. The payment in question in the amount of \$72,000 was for pay point #1. Pay point #1 provided for the payment of fixed administrative costs once the Consumer to Provider Training had commenced. Source documentation that accompanied the payment document validated that the training had commenced and that services were provided. This service was further validated by an on-site review conducted by a mental health program manager.*

*The Department of Health & Human Services (DHHS) notified the State of Washington Office of Financial Management (CIN A-10-05-8828) that they had reviewed the report (performed by the Washington State Auditor) and found it to have met Federal Audit Requirements. One of the items listed in this report (page 7 of 10) referenced Advanced Payments. DHHS recommended procedures be implemented to ensure prepayments are not charged to Federal Funds. In this report DHHS did not request return of funds to the federal government. The Department considers this issue resolved.*

## **Auditor's Concluding Remarks**

In the prior year's finding the Division concurred with the characterization of the payment as an advance and agreed the training was never completed. The Division did not follow state and agency requirements for collection of the advance as an overpayment. The Department agreed to develop and implement policies and procedures to preclude advance payment of administrative expenditures but the corrective action plan was not implemented.

With respect to the Health and Human Services Office of Inspector General notification (CIN A-10-05-82258) to the Office of Financial Management, this correspondence acknowledged completion of the initial review of the 2004 audit report and stated the audit work met federal audit requirements. This correspondence included an attachment summarizing the recommendations from the findings. The correspondence stated the final determination will be made by the Health and Human Services resolution official listed on the attachment and indicated responses should be sent to that official.

We reaffirm our finding and will review the corrective action plan for this area in the fiscal year 2006 audit. We appreciate the cooperation from Department staff during this audit.

## **Applicable Laws and Regulations**

For certain grant programs, including the Mental Health Block Grant, federal regulations provide an exemption from federal cost principles, provided the state adopts its own cost principles consistent with federal requirements. The U.S. Department of Health and Human Services, Office of the Inspector General considers the U.S. Office of Management and Budget's Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, to be the benchmark for state cost principles. Because the state has not adopted its own cost principles in conformance with this Circular, the Circular's requirements apply.

Attachment A, Section C.4.a of the Circular states:

Applicable credits refer to those receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

Section C.1 states in part:

Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- c. Be authorized or not prohibited under State or local laws or regulations....

Revised Code of Washington 43.88.160(4)e states in part:

The responsibility for recovery of erroneous or improper payments made under this section shall lie with the agency head or the agency head's designee in accordance with regulations issued pursuant to this chapter. Nothing in this section shall be construed to permit a public body to advance funds to a private service provider pursuant to a grant or loan before services have been rendered or material furnished.

The Department of Social and Health Services' Administrative Policy 10.02, "Overpayments and Debt for Providers and Vendors", states in part:

- B. Each DSHS administration must have written policies and procedures regarding the identification and resolution of questionable bills from, or payments to, providers and vendors. OFR must receive a copy of these policies and procedures as they are developed or modified. These policies and procedures must:
  1. Indicate that overpayments must be referred to OFR.
  2. Comply with all relevant laws and administrative policies.
- D. With the exception of the areas outlined in Administrative Policy 4.13:
  1. All debts and overpayments must be referred to OFR for collection.
  2. Only the OFR Chief may reduce or forgive overpayments or debts.
  3. Only OFR may collect vendor and provider debt.

**05-44 The Department of Social and Health Services, Mental Health Division, did not comply with state and federal regulations when contracting for services paid with federal Community Mental Health Services Block Grant funds.**

**Background**

The Department of Social and Health Services, Mental Health Division, administers the federal Community Mental Health Services Block Grant (CFDA 93.958), received from the U.S. Department of Health and Human Services. This Program provides funds to states and territories to help them provide comprehensive, community-based mental health services for adults with serious mental illness and children with serious emotional disturbances. These services may include direct services to clients or other professional/technical services. The Division contracts with service providers and professional and technical contractors to provide Program services.

In fiscal year 2005, the Department spent \$8,584,851 in this Program. Federal regulations regarding funds awarded to states require states to follow their own laws and regulations when spending this money.

In our fiscal year 2004 State Accountability Report and State of Washington Single Audit Report, we described a lack of Program compliance with state regulations for contract procurement. One of the issues we identified related to contracts not being properly executed or approved before the start of work, as state regulations require.

**Description of Condition**

The Division still is not in compliance with state regulations regarding contract procurement and therefore is not in compliance with federal regulations. During our review, we identified four Program personal and client service contracts that were not properly executed and approved prior to the start date of the contract or the performance of work. Lag times between the start dates and the execution and approval dates ranged from a week to over three months. The total value of these four contracts is \$3,467,000.

**Cause of Condition**

There is some discrepancy in instructions given to staff members. Division policies and procedures, effective June 1, 2005, allow for “after-the-fact” contracts in some cases, although an earlier e-mail notified staff members not to enter into after-the-fact contracts for this Program.

**Effect of Condition**

The Department has no accurate record of binding contract terms until after both parties sign the agreement. Relying on verbal agreements could place the Department in a situation in which the parties differ on the terms of the agreement, with a potential liability to the state.

**Recommendation**

We recommend the Department ensure contracts are properly executed and approved prior to the start date of the contract. We also recommend the Division update its policies and procedures to comply with state regulations.

**Department’s Response**

*The Department partially agrees with this finding.*

*The auditor asserts that four contracts were signed after work had started on the contract and/or the date the contract was signed was after the start date. Department staff reviewed the four contracts.*

- *One contract (# 042-63038) was signed before the work began. This contract was executed properly and not after-the-fact.*
- *The other three contracts had text amendments signed after the contract work had begun. However, the amendments neither affect the consideration in the contracts nor changes in statement of work; they are*

viewed as administrative changes. We agree with after-the-fact dates on these amendments, but don't feel they are of any substance.

The Mental Health Division in responding to the FY04 audit issued an all staff email putting staff on notice that as of January 1, 2005, work in contracts could not start until there was proper execution of the contract. This verbal policy was later formally written and put into place June 1, 2005.

- Two contracts (#0463-61089 and #04469) were signed after the execution date. However, these contracts were executed and signed in the period prior to January 1, 2005.

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

We could not substantiate that work on the first contract discussed in the Department's response began only after the contract was executed because the contractor did not date the signature until three months later. We did not take issue with the three administrative amendments mentioned but rather with the lag time between the start of work and the dates the contracts were signed.

The guidance for this review comes from state laws and regulations that would not be overridden by an agency policy or directive in conflict with them. We reaffirm our finding and will review the corrective action in this area in the fiscal year 2006 audit. We appreciate the cooperation provided by the Department staff during this audit.

### **Applicable Laws and Regulations**

For certain grant programs, including the Mental Health Block Grant, federal regulations provide an exemption from federal cost principles, provided the state adopts its own cost principles consistent with federal requirements. The U.S. Department of Health and Human Services, Office of the Inspector General considers the U.S. Office of Management and Budget's Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, to be the benchmark for state cost principles. Because the state has not adopted its own cost principles in conformance with this Circular, the Circular's requirements apply.

The Circular states in Attachment A, Section C:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
  - c. Be authorized or not prohibited under State or local laws or regulations....

The Office of Financial Management's *State Administrative and Accounting Manual*, Section 15.10.10, states:

Personal services are to be procured and awarded by state agencies in accordance with the requirements of Chapter 39.29 RCW.

Revised Code of Washington 39.29.100 (1) states:

The office of financial management shall adopt uniform guidelines for the effective and efficient management of personal service contracts and client service contracts by all state agencies....

RCW 39.29.110 (1) states:

A state agency entering into or renewing personal service contracts or client service contracts shall follow the guidelines required by RCW 39.29.100.

The Office of Financial Management's *Guide to Personal Service Contracting*, Chapter 7, Section 13, states:

The contract is executed when it is signed by all authorized parties....In most instances, service may begin immediately or may be scheduled for a predetermined date....

The Office's *Guide to Client Service Contracting*, Chapter 1, Section "Contract Manager 'Don'ts'", states:

Among the multiplicity of responsibilities contract managers have, they need to be mindful of the following:

Don't instruct the contractor to begin work before the contract is executed and approved.

The Office's *State Administrative and Accounting Manual*, Section 20.20.20.a states:

Each agency director is responsible for establishing and maintaining an effective system of internal control throughout the agency.

The Mental Health Division Policy Statement No. 6.02 states in part:

...Contracts must be submitted to the MHD Contract Manager at least thirty days prior to execution. No work is to commence prior to the approval and execution of a contract, unless staff have received prior written approval from the Director or his designee to move forward with an After-the-Fact Ratification....

**05-45 The Department of Social and Health Services, Mental Health Division, did not comply with federal requirements for independent peer reviews of the Community Mental Health Services Block Grant.**

**Background**

The Department of Social and Health Services, Mental Health Division, administers the federal Community Mental Health Services Block Grant (CFDA 93.958), received from the U.S. Department of Health and Human Services. This Program provides funds to states and territories to help them provide comprehensive, community-based mental health services for adults with serious mental illness and children with serious emotional disturbances.

In fiscal year 2005, the Division spent \$8,584,851 in this Program. Approximately 95 percent of this amount was awarded to Regional Support Networks and other contractors to administer the Program throughout the state.

Federal regulations require the Division to provide independent peer reviews of entities providing Program services in order to assess the quality, appropriateness, and effectiveness of treatment services provided to individuals. At least five percent of the entities must be reviewed annually and they must be representative of the entities providing the services. No more than 25 percent of the individuals performing the review can be employees of the federal government, and all members of the group are to be individuals who, by virtue of their training or experience, are qualified to perform the review. In addition, the Division must develop procedures to put these requirements into operation.

In our fiscal year 2004 State Accountability Report and State of Washington Single Audit Report, we reported that the Division was not in compliance with these requirements. As part of the resolution of this finding, the Division submitted to the U.S. Department of Health and Human Services a monitoring report that reviewed two of the entities.

The federal Department's response to the Division stated: "Please ensure your Department has procedures for ensuring yearly reviews of Community Mental Health Services Block Grant Program service providers are conducted that meet the independent peer review requirements of 42 United States Code 300x-53a."

**Description of Condition**

The Division did not meet those requirements during 2005. We found the Division has no procedures to ensure yearly peer reviews are conducted. In addition, we found the following weaknesses related to the monitoring report the Division submitted as evidence of the completion of peer reviews:

- The monitoring report states it was prepared to meet the obligations of a different section of federal law, one which requires the federal government to conduct annual investigations of the grant expenditures received by at least 10 states. This is different from the section of the federal law that requires the states to provide peer reviews that evaluate patient/client records at the entities providing the services to determine the quality and appropriateness of treatment services.
- The Division could not provide assurance that the monitoring report was the result of a peer review structured to meet Program requirements. For instance, the Division provided no evidence that it had taken any steps to ensure the report was prepared by independent qualified reviewers.
- The two programs reviewed in the report may not have been sufficient to reach the required five percent coverage and may not have been representative of the entities providing services. The Division could not provide documentation of its total number of service providers and therefore could not provide assurance that these two programs met the coverage requirement.
- The scope of the monitoring review covered financial issues prior to fiscal year 2005 and did not address the quality, appropriateness, and efficacy of treatment services provided by the two entities. We saw no evidence in the report that the reviewers evaluated client case files to provide an assessment of the quality, appropriateness, and effectiveness of treatment services provided to individuals.

## **Cause of Condition**

The Division did not prepare peer review policies and procedures because of other challenges, including staff changes and additional legislative requirements. In addition, the Division's federal Program staff contact advised the Division that the peer review requirement is not being enforced, even though it is still a part of the federal block grant statute, because the contact believes these reviews serve no purpose.

## **Recommendation**

We recommend the Division develop and follow procedures to comply with federal regulations for the required independent peer reviews of this Program.

## **Department's Response**

*The MHD agrees with the SAO, that a formal peer review process needs to be implemented to comply with the federal requirements of community mental health block grants. The MHD will include specific actions steps to come into compliance as part of its corrective action plan.*

## **Auditor's Concluding Remarks**

We appreciate the Department's commitment in resolving the issues in the finding and will review this area in the fiscal year 2006 audit. We appreciate the cooperation from Department staff during this audit.

## **Applicable Laws and Regulations**

Title V of the Public Health Service Act Section 1943, 42 U.S.C. 300x-53, states in part:

(a) The State will –

(1) (A) for the fiscal year for which the grant involved is provided, provide for independent peer review to assess the quality, appropriateness, and efficacy of treatment services provided in the State to individuals under the program involved: and

(B) ensure that, in the conduct of such peer review, not fewer than 5 percent of the entities providing services in the State under such program are reviewed (which 5 percent is representative of the total population of such entities); . . . .

Public Law 106-310, Title XXXIV, Section 3401, codified as 42 USC 290aa-3, PEER REVIEW states:

`(a) IN GENERAL- The Secretary, after consultation with the Administrator, shall require appropriate peer review of grants, cooperative agreements, and contracts to be administered through the agency which exceed the simple acquisition threshold as defined in section 4(11) of the Office of Federal Procurement Policy Act.

`(b) MEMBERS- The members of any peer review group established under subsection (a) shall be individuals who by virtue of their training or experience are eminently qualified to perform the review functions of the group. Not more than one-fourth of the members of any such peer review group shall be officers or employees of the United States.

The Mental Health Services Block Grant Core Monitoring report cites the Public Law 102-321, titled ADAMHA Reorganization Act, Section 203(g) [42 USC 300x-55] as the requirement for the report. This section describes federal investigations of grant expenditures related to mental health and substance abuse block grants.

`(g) CERTAIN INVESTIGATIONS-

`(1) REQUIREMENT REGARDING SECRETARY- The Secretary shall in fiscal year 1994 and each subsequent fiscal year conduct in not less than 10 States investigations of the expenditure of

grants received by the States under section 1911 or 1921 in order to evaluate compliance with the agreements required under the program involved.

`(2) PROVISION OF RECORDS ETC. UPON REQUEST- Each State receiving a grant under section 1911 or 1921, and each entity receiving funds from the grant, shall make appropriate books, documents, papers, and records available to the Secretary or the Comptroller General, or any of their duly authorized representatives, for examination, copying, or mechanical reproduction on or off the premises of the appropriate entity upon a reasonable request therefor.

`(3) LIMITATIONS ON AUTHORITY- The Secretary may not institute proceedings under subsection (c) unless the Secretary has conducted an investigation concerning whether the State has expended payments under the program involved in accordance with the agreements required under the program. Any such investigation shall be conducted within the State by qualified investigators.

**05-46      The Department of Social and Health Services, Mental Health Division, is not complying with subrecipient monitoring requirements for the Community Mental Health Services Block Grant.**

**Background**

State agencies often award federal funds to organizations that provide services needed to accomplish federal program objectives. These organizations are known as subrecipients, while the state agencies are called pass-through agencies.

To help ensure funds are spent appropriately, the federal government requires pass-through agencies to monitor the activities of subrecipients to provide reasonable assurance they are complying with federal requirements. Monitoring includes reviewing documentation such as billings, subrecipient progress reports, and audits of subrecipients and performing on-site reviews of subrecipient financial, operational and program records. Federal regulations also require pass-through agencies to apply monetary sanctions to subrecipients who do not provide mandated independent audit reports.

The Department of Social and Health Services, Mental Health Division, administers the federal Community Mental Health Services Block Grant (CFDA 93.958). This Program provides funds to states and territories to help them provide comprehensive, community-based mental health services for adults with serious mental illness and children with serious emotional disturbances.

The Department contracts with Regional Support Networks and other contractors who administer the Program throughout the state. These subrecipients must submit plans to the Division documenting how they will use the funds. Subrecipients submit monthly reimbursement claims to the Division for services provided while following their plans. In fiscal year 2005, the Department spent Program funds, including grants to these subrecipients, of \$8,584,851.

The federal grantor requires its grantees to report the amount of Program funds passed through to subrecipients on the state's annual Schedule of Expenditures of Federal Awards. The state's Office of Financial Management requires agencies to report this amount to it for inclusion in the Schedule.

In our fiscal year 2005 State Accountability Report and State of Washington Single Audit Report, we described weaknesses in the Division's monitoring of its subrecipient activity and recommended it establish and follow a monitoring process to improve this area. The Division responded that it would develop such a process.

**Description and Effect of Condition**

During this year's audit, we reviewed the Division's process for monitoring the activities of subrecipients and for payment of their claims and found the Division is still not complying with federal, state and Departmental regulations:

- To compensate for the fact that subrecipients are not required to submit supporting documentation of costs with reimbursement claims, the Division planned to include a review of payment support during its on-site reviews. The Division stated it had conducted on-site reviews of all 22 subrecipients; however we found no documentation of such a review for 13 of these. Without a review of supporting documentation at the time of payment or a review of such documentation on-site, the Division cannot be certain its subrecipients have spent grant funds in the proper amounts for allowable purposes.
- For the subrecipients with documented on-site reviews, several reviewers cited significant fiscal issues, such as insufficient support for costs or unavailable verification of deliverables. In these cases, there was no determination made as to whether costs should be reimbursed to the Division, and there was no corrective action plan to provide assurance that only allowable charges would be claimed in the future. Without proper follow-up, on-site reviews will not be effective.
- The Division is not receiving and reviewing all of the independent audits of subrecipient federal funds to help in planning for monitoring visits and to help ensure that any corrective action noted in the reports has been taken.

When the Division does not receive and review these audit reports, it may not have complete information about weaknesses identified by the independent auditors.

### **Cause of Condition**

The Division made some progress in this area but noted that it had additional challenges this past year, including many staff changes and additional legislative requirements, which have not allowed it to complete its corrective action plan.

### **Recommendation**

We recommend the Division complete its establishment of a process to:

- Require the submission of adequate payment support by all subrecipients or perform on-site reviews of fiscal records to establish claims are supported and then follow-up to ensure identified problems are resolved.
- Monitor subrecipients requiring an audit in accordance with federal regulations by:
  - Establishing a record of all such audits it needs to receive and ensuring it receives them.
  - Performing a timely review of these audit reports, followed by timely management decisions on audit findings.
  - Requiring timely corrective action on audit issues.

### **Department's Response**

*The Department partially agrees with this finding.*

*The Department agrees with the auditor's recommendation that monitoring activities could be strengthened. In addition to monitoring activities implemented after last year's finding, many additional improvements have been made during and after this year's audit period.*

***To compensate for the fact that subrecipients are not required to submit supporting documentation of costs with reimbursement claims, the Division planned to include a review of payment support during its on-site reviews.***

*MHD's subrecipient contracts contain a provision that the contractor must submit sufficient documentation, as determined by the Division, to support the payment of funds under the contract. Documentation was not always submitted with the payment request from the contractor. The documentation review referred to by the auditor was put in place to begin the process of educating contractors regarding the "sufficient documentation" requirement, and to make the contractor aware of what is "sufficient". During the past several months the MHD has worked with Contractors to clarify the documentation that needs to be submitted with, and in support of, their payment invoices. Invoices are reviewed for compliance with the requirements and contractors are asked to submit any missing support documents when a payment invoice is received without them. This review process began in early fiscal 2005.*

***The Division stated it had conducted on-site reviews of all 22 subrecipients; however [the auditor] we found no documentation of such a review for 13 of these.***

*MHD did not receive details of the review that SAO completed on subrecipient on-site reviews. The numbers, stated above, of subrecipients and reviews completed do not appear to be correct. MHD has a total of 44 subrecipient contracts. MHD conducted fifteen (15) on-site reviews during this period. Additionally, there were twenty-nine (29) other federal block grant contracts that received a desk review for the period 10/1/04-9/30/05. A schedule that showed which Contractors had received an on-site visit was provided to the SAO during their review – that schedule complies with the numbers of subrecipients and reviews stated above. Documentation and review protocols for these on-site reviews are generally maintained in Department files, although there are some contract reviews that*

remain open and where documentation is not complete. The results of desk reviews, including review protocols are also maintained in the contract file for all other federal block grant contracts referenced above

**For the subrecipients with documented on-site reviews, several reviewers cited significant fiscal issues, such as insufficient support for costs or unavailable verification of deliverables.**

We agree that a few on-site review results and some desk reviews may have showed evidence of fiscal and other deliverable issues. However, the MHD review staff and program managers are still working with the Contractors to resolve open issues. The MHD has a goal to resolve and/or conclude the monitoring process for these by May 31, 2006.

**The Division is not receiving and reviewing all of the independent audits of subrecipient federal funds to help in planning for monitoring visits and to help ensure that any corrective action noted in the reports has been taken.**

The MHD has implemented a process to capture these audits. The process is two-fold. One – the MHD incorporated language into its current contracts (7/1/05) with the RSN's which require the Contractor to notify the MHD when an entity other than DSHS performs any audit contained in the Agreement. This requirement extended to sub-recipients of federal awards the Contractor may have subcontracted with. Two- since the prior year SAO review the Department collected and reviewed both A-133 audits and independent audits during the course of the on-site reviews. Both the RSN and its subcontractors were reviewed for the \$500,000 threshold. The timing of the on-site reviews may have only allowed for the most recent A-133 audit available during the period of review but the new language added to the Department contracts would help assure notification to the MHD of other audits as they occurred. To date there were no finding and/or corrective action noted in the independent A-133 audits reviewed. We acknowledge lack of implementation of this requirement for mental health block grant contracts with Tribal entities.

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

We reaffirm our finding and look forward to reviewing the corrective action implemented in this area during our fiscal year 2006 audit. We appreciate the cooperation extended to us throughout the audit by Department staff.

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

The U.S. Office of Management and Budget's Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section .400(d), states in part:

Pass-through entity responsibilities. A pass-through entity shall perform the following for Federal awards it makes:...

- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
- (6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records....

Section .225 of the Circular states:

No audit costs may be charged to Federal awards when audits required by this part have not been made or have been made but not in accordance with this part. In cases of continued inability or unwillingness to

have an audit conducted in accordance with this part, Federal agencies and pass-through entities shall take appropriate action using sanctions such as:

- (a) Withholding a percentage of Federal awards until the audit is completed satisfactorily;
- b) Withholding or disallowing overhead costs;
- (c) Suspending Federal awards until the audit is conducted; or
- (d) Terminating the Federal award.

The Department of Social and Health Services Administrative Policy 13.14, Identifying and Managing Federal Subrecipient Contracts and Agreements, states:

D. Administrations must monitor subrecipients for compliance with OMB Circular A-133 audit requirements. Subrecipients that expend \$500,000, or more in direct and/or indirect federal awards during the subrecipient's fiscal year must meet OMB Circular A-133 audit requirements and provide appropriate documentation to the department.

- 4. Administrations must decide within six months after receipt of the subrecipient's audit report, whether audit findings are sustained, the reason for the decision, and the expected subrecipient's action to repay disallowed costs (if applicable). If the subrecipient has not completed corrective action, a timetable for follow-up must be included.
- 5. Administrations must promptly notify the Office of Accounting Services (OAS) of questioned costs requiring adjustment to department financial records.

Administrations must monitor subrecipient activities to ensure the subrecipient takes appropriate and timely corrective action to resolve audit findings. Administrations must pursue collection of overdue audit reporting packages or written notification for all subrecipients that are not audited by the SAO.

- 6. ...Administrations must retain documentation to support monitoring audit compliance....Subrecipients' audit reports and corrective action plans must be retained for three years from date of receipt.

E. Administrations must perform monitoring of subrecipient contracts and agreements. In addition to monitoring compliance with OMB Circular A-133, described in Section D of this policy, monitoring activities must be performed as defined in DSHS Administrative Policy 13.11, Monitoring Contractor Performance. These actions are intended to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements.

**05-47 The Department of Community, Trade, and Economic Development did not comply with state and federal regulations when contracting for services paid with federal Low Income Home Energy Assistance Program funds.**

**Background**

The Department of Community, Trade, and Economic Development administers the Low Income Home Energy Assistance Program (CFDA 93.568), which provides funds for eligible low-income families and individuals to help pay home energy bills and weatherization projects. The Department funds local governmental and non-profit organizations that directly serve these low-income residents.

In fiscal year 2005, the Department spent grant funds of \$38.9 million: \$5.9 million through the Weatherization Section of the Department and \$33 million through the Energy Assistance Section.

Federal regulations require states to follow their own policies and procedures when procuring services with federal funds. State contracting law and procedures require personal service contracts of \$20,000 or greater to be procured through a competitive process and, in some cases, to be filed with the Office of Financial Management before any contract work begins. Using an information technology master contract for the state does not permit an agency to bypass the competitive procurement process.

**Description of Condition**

The Division did not comply with state law and regulations regarding competitive procurement for personal service contracts, and therefore was not in compliance with federal regulations, when it procured software consulting work totaling \$60,000. The Department treated this as a purchased services contract when it more properly met the definition of personal services: professional or technical expertise provided by a consultant to accomplish a specific study, project, task, or other work statement.

The Department stated it selected a consultant from a list of pre-qualified contractors for a Master Contract maintained by the Department of General Administration. The Department then prepared a field order for \$60,000 to the consultant for a study of database integration. We found the following issues with this process:

- According to General Administration contract specialists, this consultant has not been on the pre-qualified list cited by the Department for at least the past few years.
- The Department could not provide documentation to demonstrate it used a competitive process that allowed each consultant on the list an opportunity to bid for the contract.
- The contract, in the form of a field order, was not complete. It did not include signatures binding the parties, contract execution dates, due dates for the project, terms and conditions of the work required and budgeted amounts to be paid.
- The contract was never filed with the Office of Financial Management as a personal services contract.
- All payments were coded incorrectly to purchased services, rather than to personal services.

**Cause of Condition**

Staff members' lacked knowledge regarding state procurement regulations.

**Effect of Condition**

- The Department cannot ensure the state's resources were used in the most economical manner possible because the acquisition was not subject to competitive procurement procedures.

- Without proper documentation and signing of a contract, the Department has no accurate record of binding contract terms. This could place the Department in a situation in which the parties differ on the terms of the agreement, with a potential liability to the state.
- Purchased and personal service payments in the Department's accounting records are both misstated.

We question the \$60,000 in federal funds paid for this software development in fiscal year 2005.

### **Recommendation**

We recommend the Department:

- More carefully analyze services to be provided to determine whether rules for purchased services or for personal services should be followed.
- Follow state procurement policies and procedures set out by the Office of Financial Management for personal service contracts.

### **Department's Response**

*We agree with the finding that CTED did not comply with state law and regulations regarding the competitive procurement for personal service contracts. However, we made the initial determination that this was a purchased service and accessed the General Administration (GA) pre-qualified contractors listing to obtain a consultant. Based on our understanding at the time, we followed GA's competitive procurement process, which resulted in a Purchased Services Work Contract being executed. The Work Contract was for a survey of LIHEAP subrecipients with standalone data systems to create a common data dictionary and collect application schemas to facilitate integration with the Department's data system. The Work Contract contained a statement of work which included dates, terms and conditions, and a budget. The terms and conditions of the work contract were satisfactorily completed and the deliverables have benefited the LIHEAP program.*

*Subsequently the Department hired a Contracts Specialist to develop contracting policies and procedures. The Department's draft policies and procedures require a review of requests to issue a contract. The review includes a determination of contract type and classification.*

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

We appreciate the Department's commitment to resolving the issues identified in the finding and will review this area in our fiscal year 2006 audit. We also appreciate the cooperation extended to us throughout the audit by the Department staff.

### **Applicable Laws and Regulations**

The U.S. Office of Management and Budget's *Cost Principles for State, Local and Indian Tribal Governments*, Circular A-87, Attachment A, Section C states in part:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
  - c. Be authorized or not prohibited under State or local laws or regulations..

RCW 39.29.006 states in part:

- (3) "Competitive solicitation" means a documented formal process providing an equal and open opportunity to qualified parties and culminating in a selection based on criteria which may include such factors as the consultant's fees or costs, ability, capacity, experience, reputation, responsiveness to time limitations, responsiveness to solicitation requirements, quality of previous performance, and compliance with statutes and rules relating to contracts or services.

- (4) "Consultant" means an independent individual or firm contracting with an agency to perform a service or render an opinion or recommendation according to the consultant's methods and without being subject to the control of the agency except as to the result of the work. The agency monitors progress under the contract and authorizes payment.
- (7) "Personal service" means professional or technical expertise provided by a consultant to accomplish a specific study, project, task, or other work statement...
- (8) "Personal service contract" means an agreement, or any amendment thereto, with a consultant for the rendering of personal services to the state which is consistent with RCW 41.06.142.

The Office of Financial Management's *State Administrative and Accounting Manual*, states in Section 15.10.10:

Personal services are to be procured and awarded by state agencies in accordance with the requirements of Chapter 39.29 RCW.

Section 15.10.15 states in part:

Personal Service – Professional or technical expertise provided by a consultant to accomplish a specific study, project, task, or other work statement.

Section 15.10.45 states in part:

Agencies shall not structure contracts to avoid the competitive procurement or other requirements of this policy.

Section 15.20.10 states in part:

...a documented, formal, competitive process called "competitive solicitation" is required for contracts of \$20,000 or greater.

Section 15.20.40 states in part:

**Master Contracts.** The term "master" personal service contracts, as used in this policy, refers to competitively solicited personal service contracts awarded by the Department of General Administration and the Department of Personnel for use by other state agencies. The Department of General Administration (GA), Office of State Procurement (OSP), Professional Service Solutions (PS2) unit, uses two separate processes—one for personal service contracts that are not for information technology (IT) services and one for information technology personal service contracts.

...For IT personal service contracts, GA conducts the initial competition and awards the master contracts (also referred to as primary agreements), but does NOT file them with OFM. To procure personal services under the IT master contracts, a second-tier competition is conducted. GA (or the agency) sends a Work Request to consultants/vendors for the applicable category. The agency evaluates responses, awards a Work Contract between the agency and the contractor, files the Work Contract with OFM, and provides a fully executed copy of the Work Contract to GA. GA's competitive processes for...IT personal services meet OFM's requirements for formal solicitation.

Agencies are responsible to maintain adequate documentation of the second-tier competitive process when using GA's master personal service contracts to substantiate that all bidders were treated equally and fairly and that an equitable and impartial competition was conducted.

Simply accessing names of firms from GA's list of master contractors in a particular category does not satisfy the requirement for second-tier competition. Also, just awarding a contract to a firm from GA's list does not satisfy the requirement for second-tier competition.

Section 20.20.20 states in part:

Each agency director is responsible for establishing and maintaining an effective system of internal control throughout the agency.

**05-48 The Department of Community, Trade, and Economic Development, Energy Assistance Section, is not complying with subrecipient monitoring requirements for the Low Income Home Energy Assistance Program.**

**Background**

State agencies often award federal funds to organizations that provide services needed to accomplish federal program objectives. These organizations are known as subrecipients, while the state agencies are called pass-through agencies.

To help ensure funds are spent appropriately, the federal government requires pass-through agencies to monitor the activities of subrecipients to provide reasonable assurance that they are complying with federal requirements. Monitoring should be based upon the risk at the subrecipient level and may take various forms, such as reviewing reports submitted by subrecipients, maintaining regular contact with subrecipients, and performing on-site reviews of subrecipient financial, operations and program records.

Risk factors that may affect the degree of monitoring include program complexity, amount of the award, and risks directly related to the subrecipient. Pass-through entities must also ensure they receive and review applicable audit reports from subrecipients and follow-up on any problems identified in those reports.

In the Program's current Washington State Plan, the Department provides assurances related to its subrecipient monitoring and describes the methods it uses for this activity. In fiscal year 2004, we suggested improvements to the Department's subrecipient monitoring documentation.

In fiscal year 2005, the Department spent \$38.9 million from the Low Income Home Energy Assistance Program; the Energy Assistance Section spent \$33 million of this amount. Of the \$38.9 million in payments, 91.5 percent was passed through to subrecipients.

**Description of Condition**

For 2005, we reviewed Program subrecipient monitoring activities and found the Energy Assistance Section does not perform adequate subrecipient monitoring. We found:

- Risk assessments were not adequately and consistently performed and did not always include a review of:
  - Subrecipient single audit reports to identify weaknesses that could affect the Program.
  - Subrecipient cost allocation plans and indirect cost classifications to determine if these areas required review during on-site visits.
  - Staff correspondence to evaluate observations of potential weaknesses with subrecipient operations.
- Monitoring plans were not always adjusted to include the effect of issues such as those above.
- Documentation was not always sufficiently complete to establish that on-site visits were adequately performed.

We also found the Program and fiscal office subsidiary records that track advance payments to subrecipients did not always reconcile with each other or with the state's accounting records.

**Cause of Condition**

The Energy Assistance Section has not established and put into place adequate policies and procedures for monitoring subrecipient activities and payments.

## **Effect of Condition**

The Department cannot ensure its subrecipients are complying with federal requirements and using the funding for allowable purposes. This could jeopardize future federal funding for the Program.

## **Recommendations**

We recommend the Department develop subrecipient monitoring policies and procedures that include requirements that:

- Risk assessments address significant risk areas.
- Monitoring plans address risk assessments and change as conditions change.
- Desk monitoring and site visits be sufficiently documented
- Employees receive adequate training as to what constitutes sufficient monitoring documentation to be retained.
- Proper reconciliations are made between Department records and the state's accounting system for payments made in advance to subrecipients.

## **Department's Response**

*We partially agree with the finding. The LIHEAP block grant has policies and procedures in place for monitoring subrecipient activities and payments. These policies and procedures apply to LIHEAP and are coordinated with other federal and state programs administered by CTED. In some cases, documentation was not totally completed because the program has a 25 year on-going relationship with the network of Community Action Agencies, who are the subrecipients. This statewide network of subrecipients is assessed, reviewed and monitored by a variety of programs within CTED and the information is shared among all the programs. This sharing of information was not always fully documented, but did contribute to adequately managing risk of all of the Community Action Agencies in our contracting portfolio.*

*In response to auditor concerns, the LIHEAP program has consolidated several policies, procedures and protocols into one comprehensive document. This will ensure better and more complete documentation of risk assessment and monitoring activities. Additionally, the risk assessment of all of the Community Action Agencies in the closely aligned Community Services Block Grant will be enhanced.*

*Payments and advances to contractors are reconciled monthly and any concerns noted by the auditors were explained. All contractor payments were verified before draws of federal funds were made.*

## **Auditor's Concluding Remarks**

We appreciate the Department's commitment to resolving the issues identified in the finding and will review these areas in our fiscal year 2006 audit. We also appreciate the cooperation extended to us throughout the audit by the Department staff.

## **Applicable Laws and Regulations**

The U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .400(d) states in part:

- (d) Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes: ...

(3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

(4) Ensure that subrecipients expending \$300,000 (*\$500,000 for fiscal years ending after December 31, 2003*) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

The Washington State Plan in effect for the Program during fiscal year 2005 states in part:

Assurances:

The Department of Community, Trade and Economic Development agrees to:

- (10) provide that such fiscal control and fund accounting procedures will be established as may be necessary to assure the proper disbursement of and accounting for Federal funds paid to the State under this title, including procedures for monitoring the assistance provided under this title, and provide that the State will comply with the provisions of chapter 75 of title 31, United States Code (commonly known as the "Single Audit Act");...

The Plan continues in question-and-answer format:

Statutory Reference: 2605(b)(10) **PROGRAM, FISCAL MONITORING, AND AUDIT**

How do you ensure good fiscal accounting and tracking of LIHEAP funds? (Please describe. Include a description of how you monitor fiscal activities.)

CTED internal control systems include: annual contractor financial and compliance audits, monthly budget-to-expenditure controls, and periodic monitoring of contractors by CTED staff.

An initial advance payment will be issued if: sufficient funds are available from HHS; CTED has received from a contractor the signed contract and a payment request for the first half of October; and the previous Program Year contract has been adequately reconciled. If funds from HHS are delayed or awarded incrementally, CTED will impose a spending limit. Payments made under the contract will be limited until complete funding is awarded and the spending limit is eliminated.

Advance and reimbursement payment systems will be used after the initial advance payment. The Policies and Procedures for EAP specify the payment systems to be used by CTED and its contractors. Upon final reconciliation at the end of the program year, unspent funds will be recovered by CTED and a plan for their use developed and submitted to HHS.

CTED maintains a system that ensures fiscal control internally and with its local contractors.

How do you monitor program activities? (Please be sure to include a description of how you monitor eligibility and benefit determination.)

CTED representatives periodically monitor each local program contractor on site to ensure that LIHEAP is managed effectively, and complies with federal and state statutes and regulations and the program policies and procedures. This includes reviewing financial management systems, reporting practices, outreach activities, eligibility determination and documentation, and other service delivery activities. A corrective action plan may be required to address issues raised during the review. A monitoring review report sent to the contractor's Executive Director includes findings and correction

action plan items to be addressed. A statewide computerized screening system which includes data taken from the client intake form prevents duplication of service. A summary of the demographic data compiled from the client intake forms will be submitted to CTED.

**05-49 The Department of Community, Trade, and Economic Development did not comply with earmarking requirements for the Low Income Home Energy Assistance Program.**

**Background**

The Department of Community, Trade, and Economic Development administers funds from the Low Income Home Energy Assistance Program (CFDA 93.568) and disburses these funds to local governmental and non-profit organizations that directly serve low-income residents. The Program provides funds to help eligible low-income families and individuals in paying for their home energy bills and weatherizing their homes.

In fiscal year 2005, the Department spent Program funds of \$38.9 million: \$5.9 million through the Weatherization Section of the Department and \$33 million through the Energy Assistance Section.

State agencies receiving federal funds often must agree to federally-specified funding limits, either minimum or maximum dollar amounts or percentages, for certain types of activities. This is known as earmarking and helps ensure funds are spent in a manner consistent with program requirements. The earmarking computation for this Program can only be made at the end of each two-year grant period.

The federal government specifies that payments for weatherization activities in this Program may not exceed 15 percent of the award, less any adjustment for leveraging incentive awards, unless the Department applies for, and is granted, a waiver. The leveraging incentive awards are incentive payments that the state receives for obtaining funds from other sources that contribute to home energy resources. Examples of such sources include contributions from utility companies or individuals.

**Description of Condition**

We used the 2003 Program grant to review earmarking, since it was the only two-year grant that ended during the audit period. The 2003 grant covered October 1, 2002 through September 30, 2004.

The earmarking calculation for the 2003 grant, which included the adjustment for leveraging incentive awards, resulted in \$5,705,493 as the maximum the Department could spend on weatherization. The Department spent \$6,182,102 for weatherization, exceeding the earmarking requirement by \$476,609.

**Cause of Condition**

Since 1988, the Department has interpreted “the State”, in the Low-Income Home Energy Assistance Act of 1981, Public Law 97-35, to mean the State of Washington and all Indian tribes in the State, even though the tribes receive separate awards. Based on this interpretation, the Department has included both the funds for the state and the funds for the tribes in Washington to calculate its earmarking amount.

**Effect of Condition**

This method of calculating the earmarking amount increases the maximum beyond the amount allowed by federal regulations. The calculation resulted in expenditures of \$476,609 more than were allowed; we are questioning these costs.

**Recommendations**

We recommend the Department:

- Calculate the weatherization earmarking requirement in compliance with Program laws and regulations.
- Contact the grantor, the U.S. Department of Health and Human Services, to determine if repayment of the federal funds is required.

## Department's Response

*We disagree with the finding. The Department of Health and Human Services (HHS), by national formula, allocates LIHEAP funds to each state, which includes an allocation to the state and a tribal set-aside. For at least the past eighteen years, CTED has used the total amount allocated to all Washington recipients as the basis for computing the maximum amount to be spent on the Weatherization Program. The calculation has been a part of the Annual Plan submitted to and approved by HHS each year.*

*No Indian tribe in the state provides Weatherization activities because the start-up costs are too expensive. Tribes use their allotment of LIHEAP funds solely for heating assistance. Tribal members receive Weatherization assistance from the funds distributed to CTED's subrecipients for that purpose.*

*The 15 percent limitation pertains to Weatherization Assistance Benefits only, not total program expenditures. Total expenditures include administrative costs, which are calculated separately. Administrative costs are limited to 10 percent of total available funds. For the 2003 grant period, total Weatherization program expenditures (including administration) exceeded 15 percent of total available funds, but Weatherization Assistance Benefits expenditures, as calculated by HHS, did not exceed 15 percent of total available funds, therefore there are no questioned costs.*

## Auditor's Concluding Remarks

As part of our review, we re-performed the earmarking calculation according to the federal criterion and compared the result to the amount actually spent for weatherization. We concluded that the Department was not in compliance with that criterion.

After re-evaluating our calculations based upon the Department's response and other information it provided at the exit conference, we reaffirm our conclusion. We appreciate the cooperation extended to us throughout the audit by Department staff and will review this issue in our fiscal year 2006 audit.

## Applicable Laws and Regulations

The U.S. Office of Management and Budget's Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, Attachment A, Section C, states in part:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
  - d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

The Low-Income Home Energy Assistance Act of 1981 (Title XXVI Of The Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, as amended) states in part:

Section 2603 [42 USC section 8622] Definitions

Paragraph (10)

The term "State" means each of the several States and the District of Columbia.

Section 2605 [42 USC section 8624] Applications and Requirements

Paragraph (k)

(2)(B)...the Secretary may grant a waiver to a State for a fiscal year if the State submits a written request to the Secretary after March 31 of such fiscal year....

Paragraph (k) (1) states:

Except as provided in paragraph (2), not more than 15 percent of the greater of—

(A) the funds allotted to a State under this subchapter for any fiscal year; or

(B) the funds available to such State under this subchapter for such fiscal year;

may be used by the State for low-cost residential weatherization or other energy-related home repair for low-income households, particularly those low-income households with the lowest incomes that pay a high proportion of household income for home energy.

The 2003 Detailed Washington State Plan, in effect during 2004 and 2005, states in part:

Statutory Reference: 2605(c)(1)(C)

Please estimate what amount of available LIHEAP funds will be used for each component that you will operate: (The total of all percentages must add up to 100%.)

	70.83 % heating assistance
2605(k)(1)	14.04 % weatherization assistance
2605(b)(9)	10 % administrative and planning costs
2605(b)(16)	5 % services to reduce home energy needs including needs assessment (assurance 16)
	0.13 % (\$35,000) used to develop and implement leveraging activities (limited to the greater of 0.08% or \$35,000 for States, the greater of 2% or \$100 for territories, tribes and tribal organizations).
	100 % TOTAL

The Washington State Abbreviated Plans for 2004 and 2005 state in part:

2004 Use of Funds: Please estimate what amount of available LIHEAP funds will be used for each component that you will operate:

2605(c)(1)(C)	70 % heating assistance
2605(k)(1)	15 % weatherization assistance

2005 Use of Funds: Please estimate what amount of available LIHEAP funds will be used for each component that you will operate:

2605(c)(1)(C)	70.83 % heating assistance
2605(k)(1)	14.04% weatherization assistance

**05-50 Certain University of Washington departments' controls are not working effectively to ensure Time And Effort Certification forms are completed in a timely manner and to ensure monthly certification of salaries and wages paid for federal programs are completed as required.**

**Description of Condition**

The University of Washington has approximately 500 organizational units that receive federal assistance for research and development programs. The Regional Primate Center also receives other federal assistance. Organizational units are used to account for financial information for the University. From July 1, 2004, through June 30, 2005, the University spent approximately \$621 million in federal funds for research and development programs and \$14 million in federal funds for the Regional Primate Center (CFDA 93.389).

Federal regulations require universities to establish a system that demonstrates allowable and allocable payroll costs charged to federal grants and sponsored agreements. To that end, the University distributes Faculty Effort Certification (FEC) forms and Grant and Contract Certification Reports (GCCR) to campus departments for faculty, staff and hourly employees whose compensation is charged to each grant and contract budget.

To comply with federal regulations, University policy requires faculty to verify the information on the FEC form, to certify and return the form to Management Accounting and Analysis (MA&A) within five weeks. University policy requires principle investigators to verify and certify GCCR forms within 60 days after receiving them. This is noted on the form.

During our 2004 audit, we communicated to management that the University was not complying with this requirement. For the 2005 audit, we reviewed 13 federal awards, which included 30 payroll transactions subject to FEC certification and 149 payroll transactions subject to GCCR certification. We found six awards with FEC noncompliance and five awards with GCCR noncompliance as follows:

**FEC Certifications**

**CFDA 93.389 National Center for Research Resources and Infrastructure:**

- Three forms were certified by the faculty member and received by MA&A after the return due date.
- Three forms were certified by the faculty member by the due date, but were received by MA&A after the return due date.

**CFDA 93.866 Aging Research:**

- One form was certified by the faculty member by the due date, but we found no evidence as to when MA&A received it.

**CFDA 93.846 Arthritis, Musculoskeletal and Skin Diseases Research:**

- One form was certified by the faculty member and received by MA&A after the return due date.
- Two forms were certified by the faculty member by the due date, but were received by MA&A after the return due date.

**CFDA 93.837 Heart and Vascular Diseases Research:**

- One form was certified by the faculty member and received by MA&A after the return due date.

**CFDA 93.864 Male Contraception Research Center:**

- Three forms were certified by the faculty member and received by MA&A after the return due date.
- One form was certified by the faculty member by the due date, but received by MA&A after the return due date.
- One form was certified, but not dated by the faculty member, and submitted to MA&A after the due date.

CFDA 93.866 Aging Research:

- One of four forms was certified by the faculty member and received by MA&A after the return due date.
- Two forms were certified by the faculty member by the due date, but were received by MA&A after the return due date.

For all federal awards reviewed, 63 percent of FECs tested were submitted after the five-week deadline.

**GCCR Certifications:**

CFDA 93.389 National Center for Research Resources and Infrastructure:

- Four reports associated with 12 of 30 payroll transactions examined were either not dated or not signed within 60 days.

CFDA 93.837 Heart and Vascular Diseases Research:

- Three of four reports reviewed for internal control testing were not signed.
- Five reports associated with six of nine payroll transactions tested for compliance were not signed. Of the six instances, four transactions were the same reports reviewed during the testing of controls.

CFDA 93.856 Microbiology and Infectious Diseases Research:

- One report associated with four of 11 payroll transactions examined was not signed within 60 days.

CFDA 93.859 Biomedical Research and Research Training:

- Four reports associated with six of eight payroll transactions examined were reviewed and signed by the principle investigator but not dated. We found no evidence that the report was signed within 60 days.
- One report associated with one of eight payroll transactions examined was not signed within 60 days.

CFDA 93.864 Male Contraception Research Center:

- One report associated with one of 18 payroll transactions examined was reviewed and signed by the principle investigator but not dated. We found no evidence that the report was signed within 60 days.

**Cause of Condition**

The departments did not follow procedures to ensure time and effort records were reviewed and approved in accordance with University policy over federal grants.

**Effect of Condition**

Without proper time and effort records, the University cannot demonstrate allowable and allocable payroll costs charged to federal programs. Because the FECs were eventually submitted for certification, we are not questioning payroll costs charged to the federal programs.

**Recommendation**

We recommend the University take steps to ensure monthly certifications of salaries and wages paid for federal programs are completed in accordance with University policy to ensure compliance with federal regulations.

## **University's Response**

### **FEC Certifications:**

*The University concurs that some faculty effort was certified after the University's deadline. However, we note that federal guidelines have no defined deadline for effort certifications. The University of Washington established internal dates to encourage efficiency and establish a follow-up process. We believe that federal compliance is achieved when the PI signs the faculty effort certification (FEC) by the University's internal due date. We do not agree that those signed by the University's due date but received after the central office's due date are out of compliance with federal guidelines. Of the 30 payroll transactions tested, 20 were certified by the faculty member consistent with the University's internal due date.*

*We are engaged in a variety of projects that will improve the timeliness of faculty effort certification. Those projects include mandatory training of all faculty receiving effort reports (concluded 11/30/05). In addition, we are enhancing our follow up process to ensure FECs are certified and submitted in a timely manner. Also, individual departments cited in this finding will strengthen their monitoring and follow-up processes.*

*Finally, we are beginning a process to replace our manual system with an electronic effort reporting and certification system. Later this spring, we will begin an analysis that is expected to result in a decision to build or buy a new electronic effort reporting system. The new system will include enhanced tracking and follow-up capabilities.*

### **GCCR Certifications:**

*The University concurs that some Grant and Contract Certification Reports (GCCRs) were signed after the University's deadline. The University is working with departments on a campus wide basis and specifically with those cited in this finding to strengthen controls that ensure GCCRs are signed in a timely manner.*

## **Auditor's Remarks**

We thank University officials for the assistance we received during the audit.

## **Applicable Laws and Regulations**

Office of Management and Budget Circular A-21, *Cost Principles for Educational Institutions*, Section J, subsection 2.e states:

For professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.

Office of Management and Budget Circular A-21, *Cost Principles for Educational Institutions*, Section J, subsection 3 and 3.f states:

(3) Multiple Confirmation Records: Under this system, the distribution of salaries and wages of professorial and professional staff will be supported by records which certify separately for direct and F&A cost activities as prescribed below . . .

. . . (f) The reports will be prepared each academic term, but no less frequently than every six months.

Office of Management and Budget Circular A-21, *Cost Principles for Educational Institutions*, Section J, subsection 10, b.2.b states:

The method must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and F&A cost activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Confirmation by the employee is not a requirement for either direct or F&A cost activities if other responsible persons make appropriate confirmations.

**05-51      The University of Washington did not submit financial status reports in a timely manner.**

**Description of Condition**

Federal regulations and the University's grant contracts require financial status reports to be submitted to the granting agency within 90 days of the expiration date of the budget period.

During our 2001 audit of federal programs, we communicated instances in which the University did not comply with this reporting requirement.

In our current audit, we reviewed 13 awards and identified five awards that had financial reporting requirements. Based on our testing, we determined that, for three of the five awards, the University did not submit a financial status report to the sponsor within 90 days after the budget ended as follows:

- The National Center for Research Resources and Infrastructure program (CFDA 93.389) status report was submitted six months late.
- The Biomedical Research and Research Training program (CFDA 93.859) status report was submitted eight months late.
- The Male Contraception Research Center Grant (CFDA 93.864) status report was submitted two months late.

**Cause of Condition**

The Grants and Contract Accounting Office did not ensure financial status reports were submitted with the 90-day deadline due to significant turnover.

**Effect of Condition**

Federal grantors rely on the information submitted in these reports to assess program operations and to make decisions about future awards. Untimely submission of the financial status reports could result in the University losing federal funding for continued programs.

**Recommendation**

We recommend the University take steps to ensure financial status reports are submitted in accordance with federal regulations.

**University's Response**

*The University concurs that 3 financial status reports (FSRs) were not submitted in a timely manner. Grant and Contract Accounting (GCA) experienced a 50% rate of turnover in the fiscal positions responsible for preparing FSRs in 2005. GCA is working aggressively to hire and train new staff so that FSRs can be submitted in a timely manner.*

**Auditor's Remarks**

We thank University officials for the assistance we received during the audit.

**Applicable Laws and Regulations**

Office of Management and Budget Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Section \_\_.51(b) states:

Except as provided in paragraph \_\_.51(f), performance reports shall not be required more frequently than quarterly or, less frequently than annually. Annual reports shall be due 90 calendar days after the grant year; quarterly or semi-annual reports shall be due 30 days after the reporting period. The Federal awarding agency may require annual reports before the anniversary dates of multiple year awards in lieu of these requirements. The final performance reports are due 90 calendar days after the expiration or termination of the award.

Office of Management and Budget Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Section \_\_.52(a.1.iv) states:

The Federal awarding agency shall require recipients to submit the SF-269 or SF-269A (original and no more than two copies) no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports, and 90 calendar days for annual and final reports. Extensions of reporting due dates may be approved by the Federal awarding agency upon request of the recipient.

**05-52 The Department of Community, Trade, and Economic Development did not comply with federal requirements for suspension and debarment for the Home Investment Partnership Program.**

**Background**

The Department of Community, Trade and Economic Development administers the federal Home Investment Partnership Program (CFDA 14.239), also referred to as the HOME program. The objectives of the HOME program are to:

- Expand the supply of decent and affordable housing, particularly to low- and very-low-income residents.
- Strengthen the abilities of state and local governments to provide adequate supplies of affordable housing.
- Provide financial and technical assistance to states.
- Strengthen partnerships among governments involved with providing affordable housing.

The Department reported total HOME expenditures of \$13,412,319 for fiscal year 2005. Approximately 91 percent of these expenditures were awards passed through to subgrantees, such as local governments and non-profit organizations.

Federal grantors prohibit recipients of federal awards from contracting with entities that have been suspended or debarred from receiving federal funds. The federal government can debar a party for convictions for fraud, anti-trust violations, forgery, or other offenses indicating a lack of business integrity or honesty; a history of failure to perform agreements; or a failure to pay a substantial debt. Suspension is usually a preliminary step that may lead to debarment.

New federal regulations effective in November 2003 offer three options for grant recipients to verify that proposed contractors are not suspended or debarred. In addition, grant recipients must inform their subgrantees that they are responsible for following the same suspension and debarment requirements.

**Description of Condition**

The Department is not in compliance with federal suspension and debarment requirements. The Department included a descriptive clause or condition in the contracts for two sections of the HOME program: Tenant Based Rental Assistance and Housing Repairs and Rehabilitation Program. However, the Department failed to include a notification that the subgrantees also have responsibilities regarding suspension and debarment when they make further awards or vendor payments. We estimate the payments related to these two sections of HOME during fiscal year 2005 totaled \$4.9 million. This condition was previously reported in the fiscal years 2003 and 2004 State Accountability Reports and State of Washington Single Audit Reports.

**Cause of Condition**

Department management stated the Tenant Based Rental Assistance Section did not believe its contracts required this prescribed language regarding suspension and debarment. The Housing Repairs and Rehabilitation Program contracts did not have the correct version of the language because the Program Manager was not told about the revised language requirement in time to insert it into the contracts. The Department stated the next round of contracts will have the correct suspension/debarment language.

**Effect of Condition**

Subgrantees' lack of knowledge could make them susceptible to receiving their own audit findings if they also fail to follow suspension and debarment requirements. The Department may be liable for any amounts paid by the subgrantees to contractors who have been suspended or debarred from receiving federal funds.

**Recommendation**

We recommend the Department review its contracts for the HOME program to ensure they comply with the new suspension and debarment requirements

## Department's Response

*We partially agree with the finding. The Housing Division's Housing Repairs and Rehabilitation program (HRRP) believed they were in compliance and did not update contract language to include the specific lower tier notification requirements. All HRRP contractors have now signed certifications acknowledging the suspension and debarment requirements, including the lower tier notifications. This was completed on February 28, 2006.*

*The Housing Division's contractors for the Tenant Based Rental Assistance program (TBRA) are responsible for the determination of low-income family eligibility to receive rental assistance and pay for the family's rent with vouchers directly to landlords. They do not deal with lower tier contractors, so notification is not warranted. However, in response to auditor concerns, as of February 10, 2006 the notification language has been included in all existing contracts.*

## Auditor's Concluding Remarks

We appreciate the Department's commitment to resolving the issue identified in the finding and will review this area in our fiscal year 2006 audit.

## Applicable Laws and Regulations

Title 24 of the Code of Federal Regulations, Section 24.220, regarding procurement contracts included as covered transactions, states in part:

(b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:

- (1) The contract is awarded by a participant in a nonprocurement transaction that is covered under Sec. 24.210, and the amount of the contract is expected to equal or exceed \$25,000.

24 CFR 24.300 states:

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 the EPLS (Excluded Parties List System)
- b) Collecting a certification from that person if allowed by this rule
- c) Adding a clause or condition to the covered transaction with that person.

24 CFR 24.330, subpart C states:

Before entering into a covered transaction with a participant at the next lower tier, you must require that participant to -

- a) Comply with this subpart as a condition of participation in the transaction. You may do so using any method unless section 24.440 requires a specific method be used.
- b) Pass the requirement to comply with this subpart to each person with whom the participant enters into a covered transaction at the next lower tier."

24 CFR 24.440 states:

To communicate the requirements to participants, you must include a term or condition in the transaction requiring the participant's compliance with subpart C of this part and requiring them to include a similar term or condition in lower tier covered transactions.

**05-53      The Department of Employment Security has inadequate internal controls over payments to claimants for unemployment insurance benefits.**

**Background**

The Agency pays more than \$1.4 billion a year in benefits to unemployed workers through the Unemployment Insurance Program (CFDA 17.225). In the fiscal year 2004 and 2003 audits, we reported findings involving unemployment insurance benefits. The Agency has made improvements in certain areas such as payments to claimants with invalid Social Security numbers and duplicate payments.

**Description of Condition**

The following was reported to the Agency as a finding in the prior two audits:

- We reviewed unemployment insurance benefit payments totaling \$504,593 and found that at least \$42,054 in benefits was paid to ineligible claimants. Eleven claimants received unemployment and either workers' compensation benefits or pension benefits from Department of Labor and Industries for the same time period. Subsequent to notifying the Agency of these overpayments, the Agency collected \$1,121.
- We identified claimants whose benefits were not properly reduced by their retirement pension benefits as required by state law. The seven claimants were overpaid by \$9,412 due to adjudicators making calculation errors or using incorrect pension amounts as the base for the calculation or claimants not disclosing to the Agency that they were receiving a state pension.
- The Agency did not make changes to the benefit payment system that would prevent claimants from being paid during their first week of unemployment, which is prohibited by state law. However, the Agency asserts the changes were completed by June 30, 2005. We were not able to review those program changes during this audit, but plan to review this area in our next audit.

We produced a report that compared the weeks of unemployment to the benefit payment weeks and found 1,132 claimants who received a payment within one week of their effective date of claim, totaling \$501,647. We selected 75 of the 1,132 claimants and found the waiting week payment was waived in error by the system for 13 claimants. These overpayments totaled \$3,057.

**Cause of Condition**

Overpayments made as the result of inaccurate pension deductions were due to staff calculation errors or use of an inaccurate pension rate. Due to lack of available resources during the audit period, the Agency had not yet made system programming changes to eliminate overpayments caused by concurrent payment of unemployment insurance and workers compensation. These changes were completed after the end of the audit period. Although the Agency made changes to eliminate overpayments due to payment of the waiting week, these changes were not made until late in the audit period.

**Effect of Condition**

Without adequate internal controls over the disbursement of unemployment insurance benefits, the Agency cannot ensure that benefits are being paid to eligible claimants for the correct amounts. Office of Management and Budget Circular No. A-133, Subpart E, Section 510, requires the auditor to question and report unallowable costs greater than \$10,000.

## Recommendation

We recommend the Agency:

- Perform a weekly cross-match with the Department of Labor and Industries to identify and investigate claimants receiving industrial insurance benefits.
- Establish and follow procedures to ensure that all pension benefit reductions are accurately calculated and that accounts with estimated pension amounts are properly monitored.
- Ensure that the benefit payment system properly prohibits payments during the claimant's first week of unemployment.

## Agency's Response

*We agree with the auditor's recommendation to identify and investigate overpayments resulting from concurrent payment of workers compensation and UI benefits. ESD implemented the changes to GUIDE to address this condition in July of 2005. However, seven of the eleven individuals identified for this condition had "back pay awards". These seven claims represented a total of \$33,077 in overpayments. A back pay award occurs when someone is denied time loss compensation by Labor and Industries, appeals the denial, wins the appeal and is granted a back pay award for the time between when the time loss compensation is denied and the back pay is awarded. While someone appeals the time loss compensation denial, he/she can be eligible for Unemployment Insurance. We get information from the cross match with Labor and Industries that shows that a payment has been made. We then go into the Labor and Industries Industrial Insurance System (LIIIS) to get the detail about the back pay award payments. Currently there is no way to prevent overpayments caused by back pay awards. We have proposed legislation in the past that would allow us to deduct overpaid UI from back pay awards, but have not been successful.*

*We agree with the auditor's recommendations to ensure that all pension benefit reductions are accurately calculated and that estimated pensions would be properly monitored. We have published information on pension calculations and updated the pension desk aides, including a pension calculator. We will develop a report using information in the data warehouse that will allow us to monitor estimated pensions. Also, we will assess the cost effectiveness of implementing a cross match with the Department of Retirement Systems. The audit findings listed seven claimants with a total overpayment amount of \$9,412. All seven cases have been forwarded to TeleCenter management for action and resolution. We anticipate overpayments due to improper pension calculations to diminish significantly during the next year due to the corrective steps described above.*

*We agree with the auditor's recommendation that the benefit payment system (GUIDE) should properly prohibit payments during the claimant's first week of unemployment. ESD implemented changes to GUIDE to address this condition in April of 2005. System changes were made that "locked" the first week of the claim so it could not be incorrectly paid if the claim was later "recalculated. We believe these changes have fixed this condition.*

## Auditor's Remarks

We appreciate the Agency's commitment to resolving issues identified in the finding. We will review these areas in our fiscal year 2006 audit.

## Applicable Laws and Regulations

RCW 50.04.323 (1), states in part:

The amount of benefits payable to an individual for any week which begins . . . in a period with respect to which such individual is receiving a governmental or other pension, retirement or retired pay, annuity, or any other similar periodic payment which is based on the previous work of such individual shall be reduced (but not below zero) by an amount equal to the amount of such pension, retirement or retired pay, annuity, or other payment, which is reasonably attributable to such week.

RCW 50.04.323 (1)(b), states:

The amount of such a reduction shall take into account contributions made by the individual for the pension, retirement or retired pay, annuity, or other similar periodic payment, in accordance with regulations prescribed by the commissioner.

RCW 50.20.010 (1), states in part:

An unemployed individual shall be eligible to receive waiting period credit or benefits with respect to any week in his or her eligibility period only if the commissioner finds that: . . . (c) He or she is able to work, and is available for work in any trade, occupation, profession, or business for which he or she is reasonably fitted [and] (d) He or she has been unemployed for a waiting period of one week.

RCW 50.20.085, states:

An individual is disqualified from benefits with respect to any day or days for which he or she is receiving, has received, or will receive compensation under RCW 51.32.060 or 51.32.090.

RCW 51.32.060 is the state law providing compensation for permanent total disability in the case of an industrial accident, which is referred to as workers' compensation pensions.

RCW 51.32.090 is the state law providing compensation for temporary total disability in the case of an industrial accident, which is referred to as workers' compensation time loss.

WAC 192-110-005 (3), states in part:

The first week you are eligible for benefits is your waiting week. You will not be paid for this week . . . .

WAC 192-16-030, states in part:

The deductible pension amount shall be determined as of the last pay period in the individual's base year for which contributions were made.

Section 20.20.20.a of the Office of Financial Management's *State Administrative and Accounting Manual*, states in part:

Each agency director is responsible for establishing and maintaining an effective system of internal control throughout the agency.

**05-54      The Employment Security Department did not comply with federal requirements for suspension and debarment for the Workforce Investment Act and Unemployment Insurance programs.**

**Background**

The Agency administers the federal Workforce Investment Act (CFDA 17.258-17.260) and the Unemployment Insurance Program (CFDA 17.225).

The Workforce Investment Act helps workers improve or learn new job skills and helps U.S. companies find skilled workers. One-stop service delivery unifies numerous training, education and employment programs into a single system in each community. The Act has programs serving adults, youth and dislocated workers. Total expenditures in fiscal year 2005 for this cluster of programs were approximately \$107 million.

The Unemployment Insurance Program provides partial income replacement for those who become unemployed through no fault of their own. These benefits are temporary while the unemployed individual is seeking work or, in authorized cases, attending training. Total expenditures in fiscal year 2005 for this program were \$927 million.

Federal grantors prohibit recipients of federal awards from contracting with entities that have been suspended or debarred from receiving federal funds. The federal government can debar a party for fraud convictions, anti-trust violations, forgery or other offenses indicating a lack of business integrity or honesty, a history of failure to perform agreements or a failure to pay a substantial debt. Suspension is usually a preliminary step that may lead to debarment.

New federal regulations, effective November 2003, offer three options for grant recipients to verify that proposed contractors are not suspended or debarred. In addition, grant recipients must inform their subgrantees that they are responsible for following the same suspension and debarment requirements.

**Description of Condition**

The Agency did not comply with federal suspension and debarment requirements. It failed to include a notification in grant agreements that subgrantees also have responsibilities regarding suspension and debarment when they make further awards. In addition, grant agreements did not include the proper dollar amounts applicable to subgrantees and their subcontracts.

For the Workforce Investment Act, we estimate payments related to such subrecipient awards to be approximately 80 percent of total program payments, or \$85.6 million. For the Unemployment Insurance Program, we identified four contracts, totaling an estimated \$1.3 million, that did not comply with suspension and debarment requirements.

**Cause of Condition**

The Agency was unaware of the changes to suspension and debarment requirements that occurred in November 2003.

**Effect of Condition**

Subgrantees' lack of knowledge could result in them receiving their own audit findings if they also fail to follow suspension and debarment requirements. The Agency may be liable for any amounts paid by the subgrantees to contractors who have been suspended or debarred from receiving federal funds.

**Recommendation**

We recommend the Agency review its grant agreements for both programs to ensure they comply with the new suspension and debarment requirements.

## Agency's Response

*The Employment Security Department is revising their Grant and Contract General Terms and Conditions to include revised language on Debarment and Suspension and a separate Debarment and Suspension Certification for each agreement requiring an authorized signature. This certification is part of the Department's Grant General Terms and Conditions and the Department's Contract General Terms and Conditions. For the existing agreements, each grantee (Workforce Development Area) has been asked to sign one Debarment and Suspension Certification. These Debarment and Suspension Certifications include a specific reference to all grants and contracts the Workforce Development Council has with the Department. All new grants and contract will include the appropriate revised General Terms and Conditions.*

## Auditor's Remarks

We appreciate the Agency's commitment to resolving issues identified in the finding. We will review these areas in our fiscal year 2006 audit.

## Applicable Laws and Regulations

Title 29 of the Code of Federal Regulations, Section 98.200 states:

What is a covered transaction?

A covered transaction is a nonprocurement or procurement transaction 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...; or
- (b) A lower tier, between a participant in a covered transaction and another person

Section 98.205 states:

Why is it important if a particular transaction is a covered transaction?

The importance of a covered transaction depends upon who you are.

- (a) As a participant in the transaction, you have the responsibilities laid out in Subpart C of this part. Those include responsibilities to the person or Federal agency at the next higher tier from whom you received the transaction, if any. They also include responsibilities if you subsequently enter into other covered transactions with persons at the next lower tier.

Section 98.220 states:

Are any procurement contracts included as covered transactions?

- (a) Covered transactions under this part—
  - (1) Do not include any procurement contracts awarded directly by a Federal agency; but
  - (2) Do include some procurement contracts awarded by non-Federal participants in nonprocurement covered transactions...
- (b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:
  - (1) The contract is awarded by a participant in a nonprocurement transaction that is covered under Sec. 98.210, and the amount of the contract is expected to equal or exceed \$25,000.

(2) The contract requires the consent of a(n) Department of Labor official. In that case, the contract, regardless of the amount, always is a covered transaction, and it does not matter who awarded it. For example, it could be a subcontract awarded by a contractor at a tier below a nonprocurement transaction, as shown in the appendix to this part.

(3) The contract is for federally-required audit services.

Section 98.300 states:

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

#### Doing Business With Other Persons

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 the EPLS (Excluded Parties List System); or
- (b) Collecting a certification from that person if allowed by this rule; or
- (c) Adding a clause or condition to the covered transaction with that person.

Section 98.330 states:

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

Before entering into a covered transaction with a participant at the next lower tier, you must require that participant to—

- (a) Comply with this subpart as a condition of participation in the transaction. You may do so using any method(s), unless Sec. 98.440 requires you to use specific methods.
- (b) Pass the requirement to comply with this subpart to each person with whom the participant enters into a covered transaction at the next lower tier.

Section 98.970 states:

Nonprocurement transaction.

(a) Nonprocurement transaction means any transaction, regardless of type (except procurement contracts), including, but not limited to the following:

- (1) Grants.
- (2) Cooperative agreements.
- (3) Scholarships.
- (4) Fellowships.
- (5) Contracts of assistance.
- (6) Loans.
- (7) Loan guarantees.
- (8) Subsidies.
- (9) Insurances.
- (10) Payments for specified uses.
- (11) Donation agreements.

**05-55      The Military Department is not properly accounting for and safeguarding assets purchased by the National Guard Military Operations and Maintenance Projects Program.**

**Background**

The state Military Department administers the U.S. Department of Defense's National Guard Military Operations and Maintenance Projects Program (CFDA 12.401). This Program supports the operations and training of the state Army and Air National Guards. The Department spent \$14,919,960 for this Program in fiscal year 2005. Approximately 30 percent of this amount was spent for furnishings, equipment, software, land and buildings. The federal government requires states to use, manage, and dispose of equipment purchased with federal funds in accordance with state laws and procedures.

In Washington, agencies are responsible for developing internal policies and procedures to protect and control the use of all capital assets, in compliance with the standards in the *State Administrative & Accounting Manual*. These standards are minimum requirements; agencies may develop more restrictive standards. The Military Department has adopted its own generally more restrictive policy and procedures to meet this responsibility.

The state requires physical inventories to be conducted at least once every other fiscal year for all assets with a unit cost of \$5,000 or more and assets with a unit cost of less than \$5,000 if they have been identified as small and attractive assets.

In order to ensure objective reporting of inventory items, the state also requires that a physical inventory be performed by personnel who do not have any direct responsibility for assets included in the inventory count.

**Description of Condition**

We found the following weaknesses in the Department's equipment inventory procedures and asset records:

- The Department did not finish a physical inventory in fiscal year 2005, as required. The physical inventory and inventory records had not been reconciled seven months after the due date; therefore, the Department cannot be sure its records are accurate.
- The Department allowed 24,000 rounds of its ammunition purchases, worth \$4000, to be shipped directly to a retail establishment and stored there for at least seven months without adequate control over the inventory. The ammunition was to be used for security guard training and practice at the store's indoor target range. The Department has no evidence that anyone at the store signed to acknowledge receipt of the ammunition at the time of delivery or that the ammunition was segregated from the store's stock. In addition, the Department maintained no concurrent record of how much ammunition was used for approved purposes and how much should remain.
- Department's inventory procedures are not adequate because they assign responsibility to conduct the physical inventory of equipment to the same division responsible for custody of the equipment. This does not meet the requirement for an adequate separation of duties.
- The Department did not always issue asset tags to identify ownership and/or create adequate asset records. We reviewed 10 transactions totaling \$212,000 for adherence to asset record requirements. Within these 10 transactions, 55 items with serial numbers should have been recorded; however 24 of these, worth a total of \$104,000, were not. Two items worth a total of \$46,000 had not been tagged.
- During the fiscal year, the Department changed its procedure for recording small and attractive assets; this new procedure does not comply with the minimum standard required by the state.

## **Cause of Condition**

The Department stated the inventory was not finished due to the absence of a key employee after the close of the fiscal year. Lack of knowledge appears to be the cause of the rest of the conditions. For instance, during discussions with us, the statements of the Department's inventory staff indicated knowledge of requirements in state policies and procedures but little knowledge of requirements in the Department's more restrictive policy and procedures.

## **Effect of Condition**

The Department cannot ensure that federal property and equipment is recorded and safeguarded properly. A loss of assets could occur and not be discovered on a timely basis, if at all.

## **Recommendations**

We recommend the Department:

- Complete the fiscal year 2005 inventory and all future physical inventories timely and in compliance with requirements.
- .
- Revise its inventory procedure to fully comply with state policies and procedures.
- Record the missing serial numbers and ensure future assets are properly recorded.
- Establish inventory control procedures for assets stored offsite.

## **Department's Response**

*The Department agrees with the finding.*

*The 2005 inventory is now complete and documented. All future inventories will be completed in accordance with state requirements.*

*Ammunition will no longer be shipped directly to or stored at a vendor's location.*

*Paragraph 4e of the Military Department's procedure states, "The inventory will be reconciled by an individual with no direct responsibility for the assets subject to inventory." The Department will ensure this process is always followed in all future inventories.*

*The two items that were not tagged have been tagged and added to CAMS. The missing serial numbers were added to the records in CAMS. Our policy and procedure will be reviewed and updated as necessary to ensure they meet the minimum requirements in the SAAM manual for asset tracking.*

*The Department will return to using CAMS for tracking small and attractive items.*

## **Auditor's Concluding Remarks**

We appreciate the Department's commitment to resolving the issues identified in the finding and will review the corrective action in fiscal year 2006 audit. We also appreciate the cooperation extended to us throughout the audit by Department staff.

## **Applicable Laws and Regulations**

Title 32 Code of Federal Regulations Part 33, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, states in part:

Sec33.32 Equipment.

(b) States. A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures.

The Office of Financial Management's *State Administrative and Accounting Manual* lists the following accounting and control requirements for fixed assets:

Section 30.30.10:

Mark all inventoriable fixed assets upon receipt and acceptance to identify that the property belongs to the state of Washington.

Section 30.40.40:

Upon receipt and acceptance of an inventoriable fixed 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 fixed asset inventory records.

Section 30.40.55:

Conduct physical inventories at least once every other fiscal year for all inventoriable fixed assets.

Section 30.40.60:

In order to ensure objective reporting of inventory items, physical inventories 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.

Section 30.40.70:

After the physical inventory count is completed, the agency inventory officer is to conduct the reconciliation process. Reconciliation is defined as the process of identifying, explaining, and correcting the differences occurring between the physical count and the inventory records. When all differences have been identified and explained the inventory is considered reconciled.

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.

Section 85.60.60:

Quarterly, all agencies are to reconcile their authorized capital asset management system with the balances in GL Code Series 2XXX "Capital Assets" to ensure the accuracy of the balances in the general ledger.

**05-56      The Military Department is not in compliance with subrecipient monitoring requirements for the State Domestic Preparedness Equipment Support Program.**

**Background**

State agencies often award federal funds to organizations that provide services needed to accomplish federal program objectives. These organizations are known as subrecipients, while the state agencies are called pass-through agencies.

To help ensure funds are spent appropriately, the federal government requires pass-through agencies to monitor subrecipient activities for compliance with federal requirements. Monitoring may take various forms, such as reviewing billings and reports submitted by subrecipients; contacting subrecipients regularly for discussions; and performing on-site reviews of subrecipients' financial and program records and operations.

Factors that may affect the degree of monitoring include program complexity, amount of the award, and risks directly related to the subrecipient. Pass-through agencies must ensure they receive and review audit reports from subrecipients and follow-up on any issues identified in those reports.

The Military Department administers the State Domestic Preparedness Equipment Support Program (CFDA 16.007 and CFDA 97.004). The U.S. Department of Homeland Security provides funds to enhance the capacity of state and local first responders to respond to terrorism, such as the release of chemical and biological agents or the use of radiological, nuclear, and explosive devices. Program expenditures for fiscal year 2005 were \$8,938,896.

In addition to its own activities, the Department contracts with all 39 counties in the state to provide funds for the purchase of specialized equipment and for training exercises, planning and administration. These counties are subrecipients of the Department and together received \$8,378,813 of the Department's federal equipment grant during fiscal year 2005. The Department is required to monitor whether the Program equipment is being used appropriately by the counties.

We reported in our fiscal year 2004 State Accountability Report and State of Washington Single Audit Report that the Department did not have adequate internal controls for this Program to ensure compliance with federal regulations regarding purchases for, contracting with, and monitoring of its subrecipients. In its response, the Department stated it would complete a comprehensive written policy and procedures for subrecipient monitoring by March 31, 2005.

**Description of Condition**

The Department is still not in compliance with subrecipient monitoring requirements.

- We reviewed five of the 39 county contracts for evidence of subrecipient monitoring but were informed by management that the Department did not perform any monitoring of these contracts during fiscal year 2005. Payments for the five contracts totaled \$1,486,473 during the fiscal year.
- The Department developed a policy in 2005 requiring its programs to perform subrecipient monitoring but passed the responsibility on to the programs to develop the procedures in support of the policy. The State Domestic Preparedness Equipment Support Program has not developed the procedures necessary to assess the risks at individual subrecipients; to perform periodic on-site visits of subrecipients; or to collect, review, and follow-up on subrecipient audit reports.

**Cause of Condition**

Department management stated it did not have time to establish adequate internal controls, conduct the necessary training and perform any monitoring during the 2005 state fiscal year. They stated training was provided in November, 2005.

## **Effect of Condition**

Inadequate subrecipient monitoring increases the risk of loss of public funds. In addition, these conditions impair the Department's ability to prevent or detect errors and irregularities in a timely manner and could affect the level of future federal funding for this Program in this state. We question the \$1,486,473 that was provided for the five selected contracts that were not monitored.

## **Recommendation**

We recommend the Department devote the resources necessary to ensure it properly monitors its subrecipients. At a minimum, the Department should:

- Ensure adequate Program subrecipient monitoring procedures are in place and followed.
- Communicate the federal equipment management requirements to all subrecipients.
- Periodically check that all subrecipients have an adequate system for equipment recording, usage, inventorying and disposition.
- Check annually to see if subrecipients received an audit of the Program, when required.

We also recommend the Department work with the federal grantor to determine if it must repay any of the questioned costs.

## **Department's Response**

*The Department agrees with the finding.*

*A workgroup within Emergency Management Division (EMD) has been meeting bi-weekly/monthly since the results of the 2004 single audit were released in 2005. This workgroup has identified basic procedures that can be applied across the various programs. The workgroup initiated a request to SAO to provide sub-recipient monitoring training to EMD staff and that training was held in November 2005. In December 2005, the workgroup met again to discuss the results of the training and refine the draft procedures.*

*The Office of Financial Management (OFM) is reviewing the draft procedures and they expect to have the draft returned to us by the first week in April. The workgroup will meet to incorporate any OFM recommendations and the procedures are expected to be finalized and released by May 1, 2006.*

*Once the procedures are in place, it will be the responsibility of each Program to monitor their respective subrecipients. Within the Homeland Security Section, a master subrecipient tracking database will be created to identify sub-recipients that need monitoring or have been monitored, as well as to follow-up on outstanding issues resulting from the monitoring visits.*

*In all contracts, federal equipment management requirements are identified via reference to the applicable OMB Circulars and the Department of Justice Financial Guide. In order to meet this recommendation, additional language will be incorporated into all contracts by July 1, through amendment or new contract initiation, to clearly explain that any equipment purchased with federal funds must be recorded on an equipment/asset system with CFDA numbers associated with the equipment items. Also, subrecipients will have instructions about the recording, usage, inventorying and disposition of equipment, per OMB regulations. Lastly, it will be stated that this applies to any sub-grantees or sub-sub grantees that may receive federally funded equipment through any of these programs and that these instructions need to be passed on in any sub-grants.*

*As part of the subrecipient monitoring procedures, one monitoring requirement will be to ensure that subrecipients have such a system in place, whether that is an electronic or paper based system, and to ensure that the CFDA number is appropriately listed and that any disposition has been in accordance with the regulations.*

*The Department has developed a grants management application. One of the tools in the application is to record the receipt of audits. The Department has started to enter the received audits into the application. On completion of entering all received audits on hand the Department will review state and federal resources to determine if any other audits have been completed.*

*The action items related to this audit finding will be reviewed and reported on in the Department's Government Management Accountability and Performance (GMAP) quarterly meetings.*

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

We appreciate the Department's commitment to resolving the issues identified in the finding and will review the corrective action in fiscal year 2006 audit. We also appreciate the cooperation extended to us throughout the audit by Department staff.

### **Applicable Laws and Regulations**

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .400(d), states in part:

A pass-through entity shall perform the following:

Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved . . .

Ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.

The Department of Homeland Security has established the Office of Justice Programs' *Financial Guide* as the fiscal and oversight requirements for this grant program. Part II, Chapter 3 of this guide states in part:

1. Reviewing Financial Operations. Direct recipients should be familiar with, and periodically monitor, their subrecipients' financial operations, records, system, and procedures. Particular attention should be directed to the maintenance of current financial data . . .
5. Audit Requirements. Recipients must ensure that subrecipients have met the necessary audit requirements contained in this Guide (see Part III, Chapter 19: Audit Requirements).

Where the conduct of a program or one of its components is delegated to a subrecipient, the direct recipient is responsible for all aspects of the program including proper accounting and financial recordkeeping by the subrecipient. Responsibilities include the accounting of receipts and expenditures, cash management, the maintaining of adequate financial records, and the refunding of expenditures disallowed by audits.

Part III, Chapter 19 of the Guide states in part:

When subawards are made to another organization or organizations, the recipient shall require that subrecipients comply with the audit requirements set forth in this chapter.

Recipients are responsible for ensuring that subrecipient audit reports are received and for resolving any audit findings. Known or suspected violations of any law encountered during audits, including fraud, theft, embezzlement, forgery, or other serious irregularities, must be communicated to the recipient.

For subrecipients who are not required to have an audit as stipulated in OMB Circular A-133, the recipient is still responsible for monitoring the subrecipients' activities to provide reasonable assurance that the subrecipient administered Federal awards in compliance with Federal requirements

Part III, Chapter 6 of the Guide states in part:

Records for equipment, non-expendable personal property, and real property shall be retained for a period of three years from the date of the disposition or replacement or transfer at the discretion of the awarding agency. If any litigation, claim, or audit is started before the expiration of the three year period, the records shall be retained until all litigations, claims, or audit findings involving the records have been resolved.

**05-57      The Military Department was reimbursed for unallowable charges for the National Guard Military Operations and Maintenance Projects Program.**

**Background**

The state Military Department administers the U.S. Department of Defense's National Guard Military Operations and Maintenance Projects Program (CFDA 12.401). This Program provides funds to support the operations and training of the state Army and Air National Guards. The Department spent \$14,919,960 for this Program in fiscal year 2005. The Master Cooperative Agreement between the Military Department and the grantor specifies that indirect costs are not allowable for reimbursement from the grantor.

Federal regulations require states to spend and account for grant funds in accordance with state laws and procedures. This state requires that all expenditures be adequately supported and has defined the minimum standards for payment transaction support. State regulations also require specific acquisition methods for certain types of expenditures such as travel. For instance, in general, state agencies must use pre-qualified travel providers when making air travel arrangements. One valid exception occurs if an emergency situation has been approved by the agency's designated travel coordinator.

**Description of Condition**

Based upon our review of transactions, we have determined that the following expenditures were not allowable under this grant.

- When the Department contracted with another state agency for services, the other agency included in its billings \$7,523 in indirect costs. The invoice support documentation identified these costs only as overhead. The Department did not deduct these costs from the total of the invoice before payment.
- The Department paid \$36,694 to a utility company without adequate support for the payment. The utility company sent a statement in October 2003 for work performed early in 2000 by a company the utility company had now acquired. Despite the unusual circumstances, the Department did not require evidence that the billing was accurate and for a valid debt before paying it in August 2004. After the end of our field work, the Department did locate a federally-approved field order for \$20,796 of the total, but provided no support for the remaining \$15,898.
- The Department paid \$1,518 in staff training travel costs that were either unsupported or did not comply with state travel regulations. The travel costs related to:
  - The purchase of \$515 in airfare by an employee using a personal credit card. The purchase was made at a high price at the last minute and was not approved by the travel coordinator as an emergency. The department reimbursed the employee without adequate supporting documentation.
  - Personal vehicle mileage, airport parking and rental car use totaling \$1,003 for another employee. The mileage reimbursement and airport parking costs of \$531 and the rental car costs of \$472 indicate conflicting travel methods. The Department had insufficient support to resolve this conflict. In addition, the mileage reimbursement was made without proper Program approval.

**Cause of Condition**

The Department did not review the transactions adequately prior to payment and prior to request for reimbursement from the grantor.

**Effect of Condition**

The Department requested and received reimbursement from the grantor for costs that were unallowable due to their nature or to the lack of adequate support. We question the total \$24,939 charged to this Program.

## Recommendations

We recommend the Department:

- Improve the payment review process to ensure:
  - Sufficient support exists for the payment.
  - The payment is allowable for reimbursement under the terms of the grant.
- Consult with the federal grantor to determine whether any questioned costs should be repaid.

## Department's Response

*The Department partially agrees with the finding.*

*The Department will not make another payment on an existing contract or execute another contract with a government entity for payment with CFDA 12.401 funding in the future that allows the ability to apply an indirect rate without first consulting with the National Guard Bureau.*

*Puget Sound Energy (PSE) does not send out invoices, all billing is done on a statement. This bill appeared several years after the work was performed. Appearing as a standard PSE statement; the lack of detail was not questioned. The Department did question whether or not the bill was valid, and if so would the federal government still reimburse. After discussions between program, accounting, and federal staff it was determined that the bill was valid and reimbursable.*

*A receipt was obtained for the questioned airfare regarding an employee's travel. The employee requested reimbursement for an incorrect amount, and has paid back the difference to the Department. The federal government is being refunded \$236.*

*The \$1,003 of questionable cost for another employee is not correct. The parking cost of \$90 was valid. Only \$210 for the rental car cost was billed to the federal government, and that was valid. The remainder of \$262 was recovered from the employee in the reimbursement of the original travel voucher. This leaves an amount of \$441 as questionable for the this employee's travel. The employee will be required to pay back any amount that is ultimately found to have been paid in error.*

*The mandatory travel training is currently being provided to all staff in the program area where the travel concerns originated. More diligence will be given to travel voucher reviews. The Department is phasing implementation of the Office of Financial Management's (OFM) Travel Voucher System (TVS) through 6/30/2006. This system will provide built in edits, and allows a more convenient and cleaner ability to send back travel vouchers for correction.*

## Auditor's Concluding Remarks

One of the basic criteria for the allowability of costs charged to a federal grant is that they be adequately documented to support the charges. Each of these issues lacked that support and therefore we reaffirm our finding.

We appreciate the Department's commitment to resolving the issues identified in the finding and will review the corrective action in the fiscal year 2006 audit. We also appreciate the cooperation extended to us throughout the audit by the Department staff.

## Applicable Laws and Regulations

The *Master Cooperative Agreement* No. DAHA45-01-2-1000, issued by the National Guard Bureau to the State of Washington, states in part:

Section 305. Advance Agreements on the Allowability of Costs

- b. Indirect costs, as such costs are defined in OMB Circular A-87, shall be unallowable, unless the costs are listed in subsection c.
- c. The costs of compensation for personnel services, including the cost of fringe benefits, including, but not limited to, the costs of workmen's compensation, unemployment compensation, State sponsored life and health insurance, and retirement benefits shall be allowable in the amount determined in accordance with the procedures set forth in NGR 5-1/ANGI 63-101.

Title 32 Code of Federal Regulations, Part 33, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, states in part:

Section 33.20 Standards for financial management systems. Financial Administration:

- (a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds.
- (b) The financial management systems of other grantees and subgrantees must meet the following standards:
  - (5) Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.
  - (6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

The Office of Financial Management's *State Administrative and Accounting Manual* lists the following accounting and control requirements:

Section 85.32.10: Agency Responsibilities

It is the responsibility of the agency head, or authorized designee, to certify that all expenditures/expenses and disbursements are proper and correct. Agencies are responsible for processing payments to authorized vendors, contractors, and others providing goods and services to the agency. Agencies are to establish and implement procedures following generally accepted accounting principles.

Section 85.32.20b: Payment Authorization

Prior to payment authorization, agencies are to verify that the goods and services received comply with the specifications indicated on the purchase documents. Authorized personnel receiving the goods and services are to indicate the actual quantities received.

Section 85.32.30a: Payment Processing Documentation

At a minimum, payment processing documentation should include evidence of authorization for purchase, receipt of goods or services, and approval for payment.

Section 85.32.40(a): Payment Processing

The following information, at a minimum, is to be indicated either on the disbursement documentation or in an automated system for compliance with federal regulatory agencies and internal control policies:...

- Receipt dates for goods and services;
- Signature of receiver;
- Receipt date of invoice;
- Invoice number, if available;
- Total amount of invoice;
- Invoice date;
- Discount or other terms; and
- Date of payment.

Section 85.32.40(b)

Agencies are to establish procedures which verify the mathematical accuracy of all documents and ensure that charges are properly recorded to the appropriate accounts.

Section 85.32.40(c)      Audit disbursement documents for the following:

Quantities indicated on the invoice agree with those documented as received on the receiving report.

Unit prices on the invoice agree with those indicated on the disbursement document.

Extensions and footings are correct.

Written approval by the agency head or authorized designee authorizing payment appears on the disbursement document.

Interest for late payment, upon billing, is properly documented and computed.

Section 10.50.35: Restrictions and requirements on rental motor vehicle use

The state contract for rental of motor vehicles does not authorize vehicles to be used for other than official state business. Therefore, when a traveler couples a personal vacation with official state business, the traveler is expected to execute a personal contract to rent a motor vehicle for the vacation portion of the trip.

Since the use of rental motor vehicles makes it difficult to segregate charges between official use and occasional incidental personal use, the agency head or authorized designee is to establish written internal policies in accordance with Subsection 10.10.10 to guard against abuse and require the traveler to pay for all personal miles driven.

Section 10.50.45: How to make air travel arrangements

Absent agency specific purchasing requirements, state agencies **must use** an OSP qualified travel provider when making air travel arrangements. The only exceptions are for:

Conditions stated in OSP contract documents. Agencies are to contact OSP if they have questions regarding the exception conditions.

Emergency situations that have been approved by the agency designated travel coordinator

**05-58      The Department of Ecology is not complying with subrecipient monitoring requirements for the Clean Water State Revolving Funds Program.**

**Background**

State agencies often award federal funds to organizations that provide services needed to accomplish federal program objectives. These organizations are known as subrecipients, while the state agencies are called pass-through agencies.

The federal Clean Water State Revolving Loan Fund Program (CFDA 66.458), which the Department administers, provides low-interest loans to subrecipient state agencies, local governments, and Indian tribes for wastewater treatment facilities and related activities and for reduction of water pollution sources. Typical Program projects are site-specific facilities planning, design and construction; land acquisition; and collection and side sewer installations. In fiscal year 2005, the Department spent Program funds totaling \$22,179,915; of this, 96 percent was in the form of loans to subrecipients.

To help ensure funds are spent appropriately, the federal government requires pass-through agencies to monitor the activities of subrecipients to provide reasonable assurance they are in compliance with federal requirements. Monitoring includes reviewing documentation such as billings, subrecipient progress reports, and audits of subrecipients and performing on-site reviews of subrecipient financial, operational and program records.

To help comply with this requirement, the Department has established policies and procedures to identify conditions that could increase risk for loan recipients and warrant the consideration of increased subrecipient oversight. This process requires:

- Selected loan recipients to provide the Department with copies of invoices and receipts to verify costs submitted on payment requests.
- The establishment of requirements for site visits and related documentation.

**Description of Condition**

The Department could not demonstrate that it was complying with its policy and the subrecipient monitoring requirements for this grant.

We noted the following:

- The active workload spreadsheet, which is used to track projects, did not include time frames identified as appropriate for oversight.
- Staff members could not clearly identify why projects were placed on increased oversight or when and why they were removed from the active workload spreadsheet.
- Documentation in the file of the extent and frequency of monitoring was not sufficient to determine if the increased oversight requirement was met.

**Cause of Condition**

Program staff members believed that keeping a current list of projects to be monitored was sufficient to document the monitoring process. They also believed project files were adequately documented to support the increased oversight process.

**Effect of Condition**

The Department cannot ensure its subrecipients are complying with federal requirements and using the funding for allowable purposes. This could jeopardize future federal funding for the Program.

## **Recommendation**

We recommend the Department provide adequate documentation to support monitoring of subrecipients through reports and site visits as identified in the policy on increased oversight.

## **Department's Response**

*The Department takes its grant and loan tracking and subrecipient monitoring responsibility very seriously and has developed a number of procedures to implement its Risk Based Determination Policy. The Department does agree that more can be done to improve how the tracking and reporting aspects of the policy are being documented in the files and is actively taking steps to address more thoroughly the subrecipient monitoring condition noted in this audit.*

- *The active workload spreadsheet is being updated to handle dates and time frames for projects identified for increased oversight.*
- *Staff are currently developing a new project tracking form for increased oversight and payment request processing. The form will include the reason/determination, effective dates, increased oversight conditions and requirements (payment backup and site visit schedule), payment request processing dates, check boxes for meeting requirements, and the method in which the Financial Manager verified costs.*

*The Department looks forward to working with staff from the Office of the State Auditor to ensure that the improvements being made are adequate to address the outstanding issues.*

## **Auditor's Concluding Remarks**

We appreciate the Department's commitment to resolving the issues identified in the finding and will review this area in our fiscal year 2006 audit. We also appreciate the cooperation extended to us throughout the audit by Department staff.

## **Applicable Laws and Regulations**

The U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .400(d), states in part:

Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes:...

- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Title 40 Code of Federal Regulations, Section 30.51, "Monitoring and reporting program performance", states:

- (a) Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. Recipients shall monitor subawards to ensure subrecipients have met the audit requirements as delineated in Sec. 30.26.

The Department's Water Quality Program Project Management WQP Policy 2-07 provides procedures for risk-based determination for increased oversight process of these loans.

**05-59 The State of Washington is not complying with federal requirements for time and effort reporting for some of the programs it administers.**

**Background**

Federal requirements are specific as to the standards expected of payroll documentation for compensation of employee salaries and wages claimed for Federal awards. Requirements state that documentation will be approved payrolls plus, for employees who work on multiple activities or cost objectives, payroll costs charged directly to federal awards require support by personnel activity reports or equivalent documentation. Usually the personnel activity reports are monthly employee time records. The time records should reflect the actual distribution of the employee's activities between two or more programs and are used as a basis for requesting federal funds.

If an employee works solely on only one federal activity, semi-annual certifications signed by the employee or a supervisor meet federal requirements. Budget estimates as a basis for requesting funds are allowable on an interim basis only if adjustments to actual costs are made at least quarterly.

The Office of Financial Management has delegated to each applicable agency the responsibility for determining the best method for fulfilling these requirements.

**Description and Cause of Condition**

In reviewing compliance with federal requirements, we identified the following agencies and programs that have time and effort compliance weaknesses.

**Department of Social and Health Services**

- *Juvenile Accountability Block Grant..... CFDA 16.523*

In our fiscal year 2004 State Accountability Report and State of Washington Single Audit Report, we reported that the Juvenile Rehabilitation Administration was not requiring nine employees working solely on the Juvenile Accountability Incentive Block Grant Program (CFDA 16.523) to prepare semi-annual certifications of their time. Two full-time employees working part-time on the Program were charging time based on budgeted rather than actual amounts.

For fiscal year 2005, we found the Administration charged salaries and benefits for 10 employees whose time was allocated to the Program based on a budgeted percentage rather than on actual time spent on grant activities. The Administration provided several groups of time certifications for these 10 employees, but certifications are acceptable only if employees work for a program 100 percent of the time. The time for these employees was charged to multiple activities; however, the Administration could not provide time records to support the payroll charges. We question the \$24,849 charged to the Program for the 10 employees.

- *Rehabilitation Services Vocational Rehabilitation Grants to States.....CFDA 84.126*

In our fiscal year 2004 State Accountability Report and State of Washington Single Audit Report, we reported the Department was not complying with time and effort requirements for the Rehabilitation Services Vocational Rehabilitation Grants to States (CFDA 84.126). In some cases, time charged to Program funds was based on budgeted percentages rather than actual amounts.

The Department is still not in compliance with these requirements because it chose not to change the process of charging payroll costs for certain employees who work in areas other than the Program. Salaries and benefits totaling \$101,618 for 10 Department employees were automatically allocated to the Program based upon budgeted percentages rather than on actual time spent on Program activities. We question the \$101,617.80 for these 10 employees charged to the Program.

**Department of Community, Trade and Economic Development**

- *Low Income Home Energy Assistance Program..... CFDA 93.568*

In our fiscal years 2003 and 2004 State Accountability Reports and State of Washington Single Audit Reports, we reported the Department was not complying with time and effort requirements for this Program. Time charged to Program funds was based on budgeted rather than actual amounts.

During our audit of the corrective action plan for the previous findings, we found the Department had corrected time and effort problems in this Program. We reported this result to the Department. Then, in an adjustment made at the end of the fiscal year to correct charges to the indirect cost plan, the Department moved payroll charges for three employees from state funds to these federal Program funds. The adjustment for the payroll charges was not supported by the employee time records.

We question the \$16,843 in federal funds charged to this Program as a result of the adjustment.

**Department of Veteran’s Affairs**

- *Grants to States for Construction of State Home Facilities..... CFDA 64.005*

The Department of Veteran’s Affairs spent \$30 million of the Grants to State Construction State Home Facilities to construct a 240- bed skilled nursing facility for veterans. Two Department employees who worked on multiple activities were charged to this grant based on budgeted hours rather than on actual hours. Department management was not aware of the requirement to charge based only on actual time worked or to perform a quarterly analysis and adjustment process if charges are based originally on budget.

We reviewed informal time records the Department later provided us in support of the payroll charges for these two employees. We found they substantiated the charges and their benefit to the grant; therefore, we are not questioning the related costs.

**Department of Health**

In reviewing compliance with federal requirements, we identified the following programs that have time and effort compliance weaknesses.

- *Special Supplemental Nutrition Program for Women, Infants, and Children.....CFDA 10.557*
- *Immunization Grants..... CFDA 93.268*
- *Centers for Disease Control and Prevention Investigations and Technical Assistance (Public Health Preparedness and Response for Bioterrorism Project).....CFDA 93.283*

None of the 58 full-time staff members who charged 100 percent of their time to one of these programs during fiscal year 2005 had signed certifications stating they worked only on that one. This occurred because no office within the Department was responsible for ensuring the certifications were completed. Because we were able to determine by other methods that these staff members did work full-time on their assigned programs, we are not questioning these costs.

**Military Department**

- *National Guard Military Operations and Maintenance Projects.....CFDA 12.401*

We found exceptions in the time and effort records for 69 employees in the National Guard Military Operations and Maintenance Projects. Twelve split their time between this grant and state funding but had not prepared time and effort records to verify the charges were for actual time worked. We question the \$217,630 in unallowable charges for these salaries and benefits. The other 57 employees were charged 100 percent to the grant but did not prepare proper certifications to support the charges. Because we were able to satisfy ourselves through other records that the 57 employees did work full-time on the grant, we are not questioning these costs.

- *State Domestic Preparedness Equipment Support Program*..... CFDA 16.007  
and 97.004

In our fiscal year 2004 State Accountability Report and State of Washington Single Audit Report, we reported the Department was charging some employees to the State Domestic Preparedness Equipment Support Program based on budgeted rather than actual amounts. We questioned \$150,000 charged to the Program for these employees. The Department concurred and described the controls it planned to establish to ensure actual time worked would be charged.

This year we found unallowable salary and benefit costs charged due to the following:

- Budgeted amounts were used for 26 employees.
- Inadequate, untimely certifications were prepared by seven employees, including some for whom certifications were not appropriate because they worked on more than one grant. These certifications were prepared anywhere from 30 days to six months late or were not completed at all until we requested them.
- Payroll costs for two employees who did prepare time sheets were adjusted without adequate support. The adjustments were made in 2005 based upon transactions that spanned the entire 2004 fiscal period.

These errors occurred because the Department’s policies and procedures for reporting employees’ time and effort do not meet federal requirements. For instance, the Department authorized employees to use periodic certifications when working on multiple funding sources, rather than only when working 100 percent on one program.

We question the \$353,000 in unallowable charges for salaries and benefits.

**Effect of Condition**

Without adequate time and effort documentation to include time records and certifications, federal grantors cannot be assured that salaries and wages charged to their programs are accurate and valid. This could jeopardize future federal funding to the state. We are questioning a total of \$713,940 as unallowable charges for salaries and benefits for the state as a whole.

**Recommendations**

We recommend state agencies receiving federal funds maintain time and effort records that comply with federal regulations and consult with the federal grantor to determine whether any questioned costs should be repaid. We also recommend the Office of Financial Management improve and emphasize training for agencies in this area.

**Department Responses (in italics) and Auditor’s Concluding Remarks**

**Department of Social and Health Services**

- *Juvenile Accountability Block Grant*..... CFDA 16.523

*The Juvenile Rehabilitation Administration (JRA) does not concur with this finding. JRA implemented the requirement of the Department’s Fiscal Policy 50.01, Federal Compliance with Time Allocation/Certification in February 2005. Semi-annual certifications were completed for salaried and part-time employees for both the current period and the audit review period. JRA employees who work on multiple activities keep daily timesheets on their activities. JRA staff that work on single activities but with multiple funding sources also complete the semi-annual certifications. JRA believes that staff working on single federal grant activity 100 percent of the time, such as those meeting the purpose areas of the federal Juvenile Accountability Block Grant, should only need to complete the semi-annual certifications even though there may be multiple funding sources – due to the lidded federal funds available.*

We reaffirm our finding that the time and effort documentation provided by the Administration for the 10 employees did not meet the requirements of federal cost principles for payroll charges to this grant. We will review the Department's corrective action during the fiscal year 2006 audit. We appreciate the cooperation extended to us throughout the audit by Department staff.

- *Rehabilitation Services Vocational Rehabilitation Grants to States.....CFDA 84.126*

*The Division of Vocational Rehabilitation partially concurs with this finding. When DVR first received this finding for fiscal year 2003, a corrective action plan was immediately developed and implemented. In addition, the DSHS Accounting Policy Management Board issued Fiscal Policy 50.01, Federal Compliance With Time Allocation/Certification, on July 1, 2004. Policy 50.01 states 'For P4s (positions) split between multiple programs, the program that owns the P4 shall complete the certification'. The 10 positions charged to DVR during FY05 were positions that did not belong to DVR. At the current time three of the 10 individuals have left the agency, two are no longer charged to DVR, and the Office of Accounting Services confirms that the required Semi-Annual Certifications are on file for the remaining five staff for the period April 2005-September 2005. DVR will establish additional steps to monitor positions partially coded to their program and the Office of Accounting Services will work with the administrations to raise awareness of the policy requirements for split-coded positions. In addition the Office of Accounting Services will be submitting Fiscal Policy 50.01 with the associated Semi-Annual Certification form to the federal Health and Human Services's Division of Cost Allocation as an amendment to the department's cost allocation plan by April 30, 2006.*

During our review, we included the Office of Accounting Services when we requested support documentation for the time and effort charges for these positions; however, the Office did not provide any documentation. We affirm our finding that the Department was not in compliance for time and effort requirements for this grant. We appreciate the Department's commitment to resolving the issues identified in the finding and will review the Department's corrective action during the fiscal year 2006 audit. We also appreciate the cooperation extended to us throughout the audit by Department staff.

**Department of Community, Trade and Economic Development**

- *Low Income Home Energy Assistance Program..... CFDA 93.568*

*We agree with the finding. At the end of the fiscal year, five journal voucher entries were made to transfer salary and benefit expenditures between programs. The affected employee's timesheets were not corrected. The adjustments were not to correct charges to the indirect cost plan. Immediately upon being notified of the issue, the Department enhanced procedures by (1) re-focusing resources to implement tighter controls over the review and approval of journal voucher entries and (2) identifying procedures to ensure all corrections of salaries and benefits include the necessary corrections to employee timesheets.*

We appreciate the Department's efforts to address this issue. We look forward in our audit in 2006 to reviewing procedures that ensure time and effort charges are maintained on an actual basis, that corrections to reflect actual are adequately documented, and that approved adjustments are prepared for those corrections. We also appreciate the cooperation extended to us throughout the audit by the Department staff.

**Department of Veteran's Affairs**

- *Grants to States for Construction of State Home Facilities..... CFDA 64.005*

*The department concurs with the finding. The charges for the two positions were included as administrative costs in the project budget approved by the grantor, but not listed as specific line items with a schedule driven spending plan. However, as acknowledged by the auditor, the total charges to the grant did not exceed the approved budget totals and are supported by calendar records.*

*DVA will implement the necessary administrative procedures to ensure documentation of time and effort charged to any future federal grants complies with the applicable federal accounting requirements.*

We thank the Agency for their assistance and cooperation during the audit. We will follow up on the Agency's corrective action during our next audit.

**Department of Health**

- *Special Supplemental Nutrition Program for Women, Infants, and Children.....CFDA 10.557*
- *Immunization Grants..... CFDA 93.268*
- *Centers for Disease Control and Prevention Investigations and Technical Assistance (Public Health Preparedness and Response for Bioterrorism Project).....CFDA 93.283*

*We concur with the State Auditors Office and agree that appropriate certification or timesheets be included in employee payroll files where salaries are charged to Federal awards or grants. We will work closely with our program managers and payroll office to implement a certification and/or a time keeping documentation process that is consistent with the requirements of A-87 Cost Principles for State, Local and Indian Tribal Governments.*

We appreciate the Department's commitment to resolving the issue identified in the finding and will review this area in our fiscal year 2006 audit.

**Military Department**

- *National Guard Military Operations and Maintenance Projects.....CFDA 12.401*
- *State Domestic Preparedness Equipment Support Program.....CFDA 16.007 and 97.004*

*The Department agrees with the finding.*

*The Departments Time and Effort Policy and Procedures will be corrected and reissued by 6/30/2006.*

*All employees that are incorrectly using certificates will be required to submit time sheets starting 4/1/2006.*

*Certificates for employees that are only charged to a single federal grant will be attained in a timely manner.*

*The action items related to this audit finding will be reviewed and reported on in the Department's Government Management Accountability and Performance (GMAP) quarterly meetings.*

We appreciate the Department's commitment to resolving the issues identified in the finding and will review the corrective action in fiscal year 2006 audit. We also appreciate the cooperation extended to us throughout the audit by Department staff.

**Applicable Laws and Regulations**

The Federal criteria for the determination of costs for states is U.S. Office of Management and Budget's Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*. For certain block grant programs, like LIHEAP, federal regulations give an exemption from federal cost principles, provided the state adopts its own cost principles consistent with federal requirements. The federal Department of Health and Human Services, Office of the Inspector General has provided us with guidance that it considers the U.S. Office of Management and Budget's Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* to be the benchmark for state cost principles since the State of Washington has not adopted its own cost principles in conformance with this Circular.

Attachment A, Section C.3 of the Circular requires allocable costs to be chargeable or assignable in accordance with the relative benefits received.

Attachment B, Section 8(h) of the Circular states in part:

- a. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after the fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

- (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

- (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and

- (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

(6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

- (a) Substitute systems which use sampling methods (primarily for Temporary Assistance to Needy Families (TANF), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:

- (i) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection (c);

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

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

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

(c) Less than full compliance with the statistical sampling standards noted in subsection (a) may be accepted by the cognizant agency if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the governmental unit will result in lower costs to Federal awards than a system which complies with the standards.

(7) Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.



**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Institute of Museum Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
03.301	Instit of Museum & Library Svs	R00403	360	666	0	PT
<b>Federal Program 03.301 Total</b>				<b>666</b>	<b>0</b>	
03.310	State Library Program		085	3,508,287	664,866	
<b>Federal Program 03.310 Total</b>				<b>3,508,287</b>	<b>664,866</b>	
03.312	National Leadership Grants		360	123,741	0	
03.312		A14629	360	(1,554)	0	PT
03.312		P.O. #A14629, CO01	360	11,898	0	PT
03.312		P.O. #A14629, R00304	360	67,000	0	PT
03.312			395	24,117	0	
<b>Federal Program 03.312 Total</b>				<b>225,202</b>	<b>0</b>	
<b>Institute of Museum Services Total</b>				<b>3,734,155</b>	<b>664,866</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
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**Federal Programs Not Clustered**

**National Endowment for the Arts**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
05.000	NEA, Contract Number Only Provided	PA-24135-02	085	1,045	0	PT
<b>Federal Program 05.000 Total</b>				<b>1,045</b>	<b>0</b>	
05.024	Promotion of Arts-Grnts to Organ & Indiv		360	60,153	0	
05.024			376	16,565	0	
05.024			387	94,431	0	
<b>Federal Program 05.024 Total</b>				<b>171,149</b>	<b>0</b>	
05.025	Promotion of Arts-Partnership Agreements		387	649,300	0	
<b>Federal Program 05.025 Total</b>				<b>649,300</b>	<b>0</b>	
<b>National Endowment for the Arts Total</b>				<b>821,494</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
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**Federal Programs Not Clustered**

**Nat'l Endowment for the Humanities**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
06.000	NEH, Contract Number Only Provided	44996-7635	360	40,042	0	PT
06.000		FB-38396	360	40,003	0	
06.000		PA5036104	360	4,425	0	
06.000		RZ2081502	360	51,154	0	
<b>Federal Program 06.000 Total</b>				<b>135,624</b>	<b>0</b>	
06.129	Promotion of the Humanities-Fed/St Partnership	3480GF04	365	4,950	0	PT
06.129		531733	370	4,500	0	PT
06.129		3346-GS04	699	6,612	0	PT
<b>Federal Program 06.129 Total</b>				<b>16,062</b>	<b>0</b>	
06.149	Promo Humanity-Preservatn Offc	X0053B-H	360	462	0	PT
06.149		X0053BJ	365	7,637	0	PT
06.149		X0053B-E	380	7,446	0	PT
<b>Federal Program 06.149 Total</b>				<b>15,545</b>	<b>0</b>	
06.160	Promo of the Humanities-Fllwshps & Stipnds		360	79,999	0	
<b>Federal Program 06.160 Total</b>				<b>79,999</b>	<b>0</b>	
06.162	Promo of the Humanities-Educ Devl & Demo		699	49,518	0	
<b>Federal Program 06.162 Total</b>				<b>49,518</b>	<b>0</b>	
06.163	Promo of the Humanities-Seminars & Institutes		380	67,991	0	
<b>Federal Program 06.163 Total</b>				<b>67,991</b>	<b>0</b>	
<b>Nat'l Endowment for the Humanities Total</b>				<b>364,739</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
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**Federal Programs Not Clustered**

**Office of Nat'l Drug Control Policy**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
07.000	ONDCP, Contract Number Only Provided	9919	080	40,000	0	PT
07.000		C040882FED	225	802,475	9,630	
07.000		C050517FED	225	441,236	0	
07.000		C050578FED	225	41,761	0	PT
<b>Federal Program 07.000 Total</b>				<b>1,325,472</b>	<b>9,630</b>	
<b>Office of Nat'l Drug Control Policy Total</b>				<b>1,325,472</b>	<b>9,630</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Peace Corps**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
08.000	Peace Corps, Contract Number Only Provided	PC048115	365	10,249	0	
<b>Federal Program 08.000 Total</b>				<b>10,249</b>	<b>0</b>	
<b>Peace Corps Total</b>				<b>10,249</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
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(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
10.000	USDA, Contract Number Only Provided	2004-04329	360	31,761	0	PT
10.000		UW Bud# 668737	360	136,620	0	PT
10.000		0001	365	30,490	0	
10.000		00CS1102	365	979	0	
10.000		0200298V	365	738	0	PT
10.000		02JV11221617037	365	6,488	0	
10.000		0300902V	365	5,369	0	PT
10.000		0300903V	365	2,823	0	PT
10.000		0300904V	365	(2)	0	PT
10.000		0300905V	365	1,667	0	PT
10.000		0391000788GR	365	20,768	0	
10.000		0391000797GR	365	15,702	0	
10.000		03DG11221600252	365	33,678	0	
10.000		03IE08310151	365	96,364	22,477	
10.000		03JV11222065132	365	2,735	0	
10.000		03JV11231300059	365	32,268	0	
10.000		03PA11060900015	365	328	0	
10.000		04011ETX	365	2,000	0	PT
10.000		04012ETX	365	8,916	0	PT
10.000		04015ETX	365	25,035	0	PT
10.000		04025ETX	365	8,810	0	PT
10.000		04IE08310108	365	38,833	0	
10.000		04JV11222062152	365	10,048	0	
10.000		04JV11222065093	365	23,869	0	
10.000		04JV11272138439	365	22,047	0	
10.000		200101ETX	365	11,718	0	PT
10.000		433AEK380114	365	18,366	0	
10.000		433AEM380086	365	40,172	0	
10.000		433AEP380074	365	45,094	0	
10.000		433AEU180055	365	176,855	0	
10.000		433AEU480093	365	23,441	0	
10.000		6805462021	365	2,418	0	
10.000		683A754201	365	85,967	8,000	
10.000		68748241Y	365	(734)	0	
10.000		745453	365	9,637	0	PT
10.000		90CSAWA1156	365	21,096	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 Year Ended  
June 30, 2005  
(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
10.000	USDA, Contract Number Only Provided	93001ETX	365	4,709	0	PT
10.000		9309ETX	365	8,411	0	PT
10.000		9901707V	365	198	0	PT
10.000		A200401	365	3,934	0	PT
10.000		C023073	365	15,530	0	PT
10.000		CA0411	365	13,196	0	PT
10.000		CCS9906080318	365	2,100	0	
10.000		CR19276428024	365	32,170	0	PT
10.000		FRA4168	365	73,302	0	
10.000		GUAR24280139	365	25,746	0	PT
10.000		GUAR36435190	365	5,075	0	PT
10.000		GUAR37313153	365	(138)	0	PT
10.000		GUAR41591209	365	22,376	0	
10.000		GUAR41681235	365	4,114	0	
10.000		MOWAF302	365	3,994	0	
10.000		PNW03JV11261975171	365	10,225	0	
10.000		PNW03JV11261986086	365	9,389	0	
10.000		PNW03JV11261987080	365	(11)	0	
10.000		PNW04CA11261987110	365	19,527	0	
10.000		PNW04DG11261975181	365	1,536	0	
10.000		PNW05JV11261975224	365	21,618	0	
10.000		RF00916678	365	6	0	PT
10.000		RFA4168	365	2,480	2,254	
10.000		SA3262	365	59,760	0	PT
10.000		WSU000130	365	(313)	0	PT
10.000		WSU000157	365	13,308	0	PT
10.000		WSU000159	365	22,871	0	PT
10.000		WSU000168	365	19,064	0	PT
10.000		WSU000169	365	1,559	0	
10.000		02-CS-11062200-001	460	2,212	0	
<b>Federal Program 10.000 Total</b>				<b>1,390,312</b>	<b>32,731</b>	
10.025	Plant/Animal Disease & Pest Ctl		365	3,157	0	
10.025			477	48,930	0	
10.025			495	1,416,866	0	
<b>Federal Program 10.025 Total</b>				<b>1,468,953</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Agriculture**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.156	Marketing Improvement Program		495	58,980	0	
<b>Federal Program 10.156 Total</b>				<b>58,980</b>	<b>0</b>	
10.163	Market Protection & Promotion		495	1,080,840	0	
<b>Federal Program 10.163 Total</b>				<b>1,080,840</b>	<b>0</b>	
10.210	Natl Needs Grad Fellowship Grt		365	97,770	0	
<b>Federal Program 10.210 Total</b>				<b>97,770</b>	<b>0</b>	
10.217	Higher Ed Challenge Grants		365	(1,414)	0	
10.217		BFK842B	365	17,498	0	PT
10.217		BJK78502	365	19,812	0	PT
10.217		BJKE16WSU	365	12,933	0	PT
10.217		R915220	365	(26)	0	PT
10.217			375	101,410	0	
<b>Federal Program 10.217 Total</b>				<b>150,213</b>	<b>0</b>	
10.223	Hispanic-Serving Institutions Educ Grants		699	64,309	0	
<b>Federal Program 10.223 Total</b>				<b>64,309</b>	<b>0</b>	
10.224	Fnd for Rural America-Res,Ed,Ext		365	(7,498)	0	
<b>Federal Program 10.224 Total</b>				<b>(7,498)</b>	<b>0</b>	
10.302	Initiative for Future Agriculture & Food Sys		365	1,714,886	1,067,328	
10.302		004654KG	365	75,996	0	PT
10.302		00470401	365	16,673	0	PT
10.302		00RA4654WA	365	58,780	0	PT
10.302		1600	365	26,776	0	PT
10.302		40414676745	365	115,818	0	PT
10.302		GC02801Z1585	365	61,224	0	PT
10.302		SC01037611	365	51,591	0	PT
<b>Federal Program 10.302 Total</b>				<b>2,121,744</b>	<b>1,067,328</b>	
10.303	Integrated Programs		365	374,726	86,188	
10.303		00RA2416WA	365	18,378	0	PT
10.303		00RA2416WA2	365	14,525	0	PT
10.303		00RA4870WSU	365	7,480	0	PT
10.303		2216WSUUSDA1367	365	63,355	0	PT
10.303		745914962099	365	42,182	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**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
10.303	Integrated Programs	BJK748WSU	365	79,207	0	PT
10.303		BJK748WSUCES	365	92,286	0	PT
10.303		BJKE27WSUCES	365	27,222	0	PT
10.303		G14101	365	12,403	0	PT
10.303		K009607WA1	365	38,338	0	PT
10.303		K009607WA2	365	7,247	0	PT
10.303		K009607WA3	365	31,743	0	PT
10.303		K011656	365	2,107	0	PT
10.303		SA4197	365	1,561	0	PT
10.303		Y772789	365	72,143	0	PT
<b>Federal Program 10.303 Total</b>				<b>884,903</b>	<b>86,188</b>	
10.304	Homeland Security_Agricultural		365	290,502	0	
10.304		K00779713	365	14,317	0	PT
<b>Federal Program 10.304 Total</b>				<b>304,819</b>	<b>0</b>	
10.446	Rural Community Development Initiative		300	12,304	0	
<b>Federal Program 10.446 Total</b>				<b>12,304</b>	<b>0</b>	
10.450	Crop Insurance		365	93,230	0	
10.450			495	46,065	0	
<b>Federal Program 10.450 Total</b>				<b>139,295</b>	<b>0</b>	
10.456	Partnrshp Agreeemnts/Non-Insurance Risk Mgt Tools		365	40,999	13,360	
<b>Federal Program 10.456 Total</b>				<b>40,999</b>	<b>13,360</b>	
10.500	Cooperative Extension Service		365	6,888,517	833,810	
10.500		041549006	365	15,321	0	PT
10.500		04ACES539109WSU	365	30,719	0	PT
10.500		ACESASATPYD80405	365	91,492	0	PT
10.500		BJKC96WSU	365	8,453	0	PT
10.500		BJKD54WSU	365	20,456	0	PT
10.500		C031935	365	37,350	0	PT
10.500		NONE	365	34,864	0	PT
10.500		S04048	365	21,215	0	PT
10.500		S6701	365	5,558	0	PT
10.500		SARENI05	365	(2)	0	PT
10.500		UTSTUNV46453	365	11,773	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 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
10.500	Cooperative Extension Service	UTSTUNV61306128STATE	365	2,581	0	PT
10.500		UTSTUNV6225	365	4,099	0	PT
<b>Federal Program 10.500 Total</b>				<b>7,172,396</b>	<b>833,810</b>	
10.550	Food Distribution (H)		300	67,487	0	NC
10.550			310	1,119	0	NC
10.550			350	19,153,082	0	NC
10.550			353	8,222	0	NC
<b>Federal Program 10.550 Total</b>				<b>19,229,910</b>	<b>0</b>	
10.557	Spec Suppt'l Nutrition Pgm for WIC		303	110,300,052	19,510,767	
<b>Federal Program 10.557 Total</b>				<b>110,300,052</b>	<b>19,510,767</b>	
10.558	Child Care Food Program (A,H)		350	1,320,045	1,322,000	
<b>Federal Program 10.558 Total</b>				<b>1,320,045</b>	<b>1,322,000</b>	
10.560	State Admin - Child Nutrition		350	2,718,617	0	
<b>Federal Program 10.560 Total</b>				<b>2,718,617</b>	<b>0</b>	
10.565	Commodity Supplementl Food Pgm		150	124,609	112,078	
<b>Federal Program 10.565 Total</b>				<b>124,609</b>	<b>112,078</b>	
10.572	WIC Farmers Market Nutric Prog		303	759,196	54,875	
<b>Federal Program 10.572 Total</b>				<b>759,196</b>	<b>54,875</b>	
10.574	Team Nutrition Grants		350	47,664	20,638	
<b>Federal Program 10.574 Total</b>				<b>47,664</b>	<b>20,638</b>	
10.576	Senior Farmers Market Nutrition Program		300	123,720	120,261	
<b>Federal Program 10.576 Total</b>				<b>123,720</b>	<b>120,261</b>	
10.578	WIC Grants to States		303	73,593	0	
<b>Federal Program 10.578 Total</b>				<b>73,593</b>	<b>0</b>	
10.582	Fresh Fruit and Vegetable Program		350	309,845	309,845	
<b>Federal Program 10.582 Total</b>				<b>309,845</b>	<b>309,845</b>	
10.664	Cooperative Forestry Assistan		103	406,529	406,529	
10.664			360	118,565	108,356	
10.664			365	39,007	0	
10.664			465	611,160	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
10.664	Cooperative Forestry Assistanc		477	16,992	0	
10.664			490	3,800,468	1,400,180	
10.664			495	48,410	0	
<b>Federal Program 10.664 Total</b>				<b>5,041,131</b>	<b>1,915,065</b>	
10.670	Nat Forest-Depend Rural Comm		387	25,000	0	
10.670			699	21,952	0	
<b>Federal Program 10.670 Total</b>				<b>46,952</b>	<b>0</b>	
10.672	Rural Development, Forestry & Communities		103	172,451	210,401	
10.672			490	554	0	
<b>Federal Program 10.672 Total</b>				<b>173,005</b>	<b>210,401</b>	
10.676	Forest Legacy Program		490	659,181	525,736	
<b>Federal Program 10.676 Total</b>				<b>659,181</b>	<b>525,736</b>	
10.677	Forest Land Enhancement Program		490	65,202	6,370	
<b>Federal Program 10.677 Total</b>				<b>65,202</b>	<b>6,370</b>	
10.678	Forest Stewardship Program		477	3,489	0	
<b>Federal Program 10.678 Total</b>				<b>3,489</b>	<b>0</b>	
10.680	Forest Health Protection		490	5,059	0	
<b>Federal Program 10.680 Total</b>				<b>5,059</b>	<b>0</b>	
10.760	Wtr & Waste Wtr Disp-Rural Comm	531708	370	550	0	PT
<b>Federal Program 10.760 Total</b>				<b>550</b>	<b>0</b>	
10.769	Rural Business Enterprise Grants		699	98,800	0	
<b>Federal Program 10.769 Total</b>				<b>98,800</b>	<b>0</b>	
10.855	Distance Learning & Telemedicine Loans & Grants		370	315	0	
10.855			699	490,153	0	
<b>Federal Program 10.855 Total</b>				<b>490,468</b>	<b>0</b>	
10.902	Soil & Water Conservation		477	76,007	0	
<b>Federal Program 10.902 Total</b>				<b>76,007</b>	<b>0</b>	
10.912	Environmental Quality Incentives Prog		471	20,085	0	
<b>Federal Program 10.912 Total</b>				<b>20,085</b>	<b>0</b>	
10.914	Wildlife Habitat Incentive Prog		477	65,465	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**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 10.914 Total</b>				<b>65,465</b>	<b>0</b>	
10.950	Agriculture Stats Reports		495	136,902	0	
<b>Federal Program 10.950 Total</b>				<b>136,902</b>	<b>0</b>	
10.962	Intnatl Tng-Foreign Participnt		365	22,677	0	
<b>Federal Program 10.962 Total</b>				<b>22,677</b>	<b>0</b>	
10.999	USDA, UNKNOWN		370	15,145	0	
10.999			477	17,925	0	
10.999			495	496,624	0	
<b>Federal Program 10.999 Total</b>				<b>529,694</b>	<b>0</b>	
<b>Dept of Agriculture Total</b>				<b>157,422,257</b>	<b>26,141,453</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
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**Federal Programs Not Clustered**

**Dept of Commerce**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.000	Commerce, Contract Number Only Provided	001-3251SC-FISH MOD01	360	(1,329)	0	PT
11.000		001-4120-S-FISH	360	44,088	0	PT
11.000		04-44	360	6,953	0	PT
11.000		05-32	360	72,708	0	PT
11.000		05-50	360	15,194	0	PT
11.000		05-57	360	26,401	0	PT
11.000		10227701	360	18,078	0	PT
11.000		136988 AM01	360	38	0	PT
11.000		1690	360	(1,675)	0	PT
11.000		40-AB-NF-112597	360	(211)	0	
11.000		40-AB-NF-112826, MOD04	360	7,391	0	
11.000		40ABNF901406	360	(3)	0	
11.000		40BNF113249	360	(2,561)	0	
11.000		508	360	2,355	0	PT
11.000		50ABNF-1-00002 MOD18	360	271,640	0	
11.000		530	360	5,832	0	PT
11.000		AB 133F-03-CN-0041 AM3	360	43,358	0	
11.000		AB133C04SE1392, #0002	360	15,762	0	
11.000		AB133F 03 SE 1473	360	(1,726)	0	
11.000		AB133F 05 SE 2333	360	7,249	0	
11.000		AB133F-02-SE-1183 A1	360	577	0	
11.000		AB133F-02-SE-1684 MOD2	360	(91)	0	
11.000		AB133F-02-SE-1790 MOD4	360	23,272	0	
11.000		AB133F-02-SE-2048 MOD1	360	(6)	0	
11.000		AB133F-03-CN-0036 AM03	360	43,137	0	
11.000		AB133F-03-SE-0217 MOD1	360	373	0	
11.000		AB133F-03-SE-0270 MOD3	360	2,135	0	
11.000		AB133F-03-SE-0709 MOD1	360	8,975	0	
11.000		AB133F-03-SE-1052	360	463	0	
11.000		AB133F-03-SE-1132	360	(3)	0	
11.000		AB133F-03-SE-1228 MOD2	360	22,977	8,509	
11.000		AB133F-03-SE-1416 AM03	360	10,828	0	
11.000		AB133F-03-SE-1475	360	2,550	0	
11.000		AB133F-03SE-0992AMEND1	360	21,062	0	
11.000		AB133F-04-CN-0036 MOD2	360	350,521	0	
11.000		AB133F-04-SE-0566 REV1	360	26,460	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Commerce**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
11.000	Commerce,Contract Number Only Provided	AB133F-04-SE-0635	360	56,386	0	
11.000		AB133F-04-SE-0680	360	9,896	0	
11.000		AB133F-04-SE-0745	360	9,983	0	
11.000		AB133F-04-SE-0753	360	15,997	0	
11.000		AB133F-04-SE-0808	360	49,993	0	
11.000		AB133F-04-SE-0897	360	6,268	0	
11.000		AB133F-04-SE-0938	360	30,528	0	
11.000		AB133F-04-SE-1384	360	10,194	0	
11.000		AB133F-04SE-0584 AM#01	360	88,329	0	
11.000		AB133F04SE0601	360	714	0	
11.000		AB133F04SE0641	360	6,606	0	
11.000		AB133F04SE0712 AM002	360	24,342	0	
11.000		AB133F04SE0728, MOD02	360	47,307	0	
11.000		AB133F04SE0972	360	8,006	0	
11.000		AB133F04SE1122	360	23,331	0	
11.000		AB133F04SE1130, MOD#2	360	28,669	0	
11.000		AB133F04SE1218 MOD 2	360	59,664	0	
11.000		AB133F04SE1284	360	53,811	0	
11.000		AB133F04SE1449	360	21,862	0	
11.000		AB133F05SE1988	360	1,500	0	
11.000		AB133F05SE3030	360	19,104	0	
11.000		AB133F05SE3846	360	766	0	
11.000		AB133F05SE3958	360	2,245	0	
11.000		AB133F05SE4222	360	8,471	0	
11.000		EA133E-04-SE-0951	360	22,089	0	
11.000		EA133F 03 SE 0365	360	6,285	0	
11.000		F0401	360	22,194	0	PT
11.000		F0418	360	56,848	0	PT
11.000		HA133F-04-SE-0014	360	6,008	0	
11.000		JF133F05SE3861	360	174	0	
11.000		NA16FX2629	360	34,192	0	PT
11.000		NA16FX2629, 42	360	53,644	0	PT
11.000		NA16FX2629, 44	360	47,577	0	PT
11.000		NA16RG1668	360	25,560	0	PT
11.000		NA17FX1422	360	60,767	0	
11.000		NA17RJ1232	360	218,543	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**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
11.000	Commerce, Contract Number Only Provided	OFPOIPA93	360	(22)	0	
11.000		P.O. #40-AB-NF-110758	360	2,507	0	
11.000		P.O. AB133F-02-SE-0626	360	(627)	0	
11.000		PO AB 133F-03-SE-0957	360	2,747	1,500	
11.000		PO AB133F02SE1398 AM01	360	30,353	0	
11.000		PO NFFP7410-3-00037	360	9,214	0	
11.000		PO RA1330-03-AU-0008	360	17,748	0	
11.000		PO#40/ABNF901377	360	(91)	0	
11.000		PO. # AB133F-02-SE1514	360	6,509	0	
11.000		PS05043	360	8,271	0	PT
11.000		R/A-122B PO#10235189	360	22,176	0	PT
11.000		RA1341-04-4B-0422	360	24,337	0	
11.000		SB134104W1458	360	39,278	0	
11.000		UW Bud# 667560	360	27,341	0	PT
11.000		UW Bud# 667599	360	37,879	0	PT
11.000		UW Bud# 669051	360	9,517	0	PT
11.000		UW Bud# 669062	360	1,168	0	PT
11.000		V121-A	360	21,734	0	PT
11.000		076605667	365	27,193	0	
11.000		077905526	365	115,002	0	
11.000		41PA0001	365	53,766	0	
11.000		AB133F03SE1180	365	36,937	0	
11.000		COOP01049	365	542	0	PT
11.000		GUAR24280135	365	48,477	0	
11.000		GUAR24300215	365	3,932	0	PT
11.000		GUAR58072082	365	2,760	0	
11.000		NA04NMF4630374	365	16,637	0	
11.000		NA134101W0722	365	(2,046)	0	
11.000		NA1344103W0649	365	6,422	0	
11.000		P8530040021	365	12,539	0	
11.000		WSU000129	365	15,748	0	PT
11.000		05-11	477	30,454	0	PT
11.000		05-13	477	6,459	0	PT
11.000		05-58	477	5,567	0	PT
<b>Federal Program 11.000 Total</b>				<b>2,821,053</b>	<b>10,009</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**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
11.303	Econ Dev-Technical Assistance		365	87,287	0	
<b>Federal Program 11.303 Total</b>				<b>87,287</b>	<b>0</b>	
11.400	Geodetic Surveys & Servs		490	125,239	109,684	
<b>Federal Program 11.400 Total</b>				<b>125,239</b>	<b>109,684</b>	
11.405	Anadromous Fish Conser Act Pgm		360	37,400	0	
11.405			477	362,114	0	
<b>Federal Program 11.405 Total</b>				<b>399,514</b>	<b>0</b>	
11.407	Interjurisdict Fisheries Act		477	126,016	0	
<b>Federal Program 11.407 Total</b>				<b>126,016</b>	<b>0</b>	
11.417	Sea Grant Support		360	3,784,318	493,718	
11.417		2002-HERWIG-550133-UW	360	15,271	0	PT
11.417		2002-HERWIG-550478-UW	360	(847)	0	PT
11.417		550469550133-UW-HERWIG	360	25,751	0	PT
11.417		NA116A-A	360	6,659	0	PT
11.417		K016708	365	29,139	0	PT
11.417		550133	380	5,032	0	PT
11.417		56182	380	23,679	0	PT
11.417		04-58	477	32,873	0	PT
<b>Federal Program 11.417 Total</b>				<b>3,921,875</b>	<b>493,718</b>	
11.419	Coastal Zone Mgmt Admin Awards		245	381,114	314,890	
11.419			461	3,321,327	722,913	
<b>Federal Program 11.419 Total</b>				<b>3,702,441</b>	<b>1,037,803</b>	
11.436	Columbia River Fish Dev Pgm		477	5,185,161	0	
<b>Federal Program 11.436 Total</b>				<b>5,185,161</b>	<b>0</b>	
11.437	Pacific Fisheries Data Prog	03-07	477	1,337	0	PT
11.437		04-38	477	1,877	0	PT
11.437		05-04	477	232,124	0	PT
11.437		05-05	477	257,667	0	PT
11.437		05-06	477	65,681	0	PT
11.437		05-07	477	92,179	0	PT
11.437		05-15	477	172,443	0	PT
11.437		05-22	477	30,723	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 Year Ended  
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(Expressed in whole dollars)*

**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 Prog	05-47	477	196,500	0	PT
11.437		UBE	477	221,236	0	PT
<b>Federal Program 11.437 Total</b>				<b>1,271,767</b>	<b>0</b>	
11.438	Pacific Coast Salmon Recovery-Pac SalmonTrty Prgrm		467	21,227,880	20,398,502	
11.438			477	965,731	0	
<b>Federal Program 11.438 Total</b>				<b>22,193,611</b>	<b>20,398,502</b>	
11.439	Marine Mammal Data Prog		477	38,580	0	
11.439		04-29	477	71,420	0	PT
11.439		04-30	477	6,294	0	PT
11.439		NA 16FX2629	477	38,788	0	PT
<b>Federal Program 11.439 Total</b>				<b>155,082</b>	<b>0</b>	
11.441	Regional Fish Mgmt Councils	06-04	477	79,661	0	PT
11.441		06-05	477	35,315	0	PT
11.441		2004-3	477	17,813	0	PT
11.441		WA-SSL-2003	477	31,212	0	PT
<b>Federal Program 11.441 Total</b>				<b>164,001</b>	<b>0</b>	
11.455	Coop Science & Education Pgm		699	46,482	0	
<b>Federal Program 11.455 Total</b>				<b>46,482</b>	<b>0</b>	
11.460	Spec Oceanic & Atmosp Projts		360	(122)	0	
11.460			380	24,459	0	
<b>Federal Program 11.460 Total</b>				<b>24,337</b>	<b>0</b>	
11.463	Habitat Conservation		461	59,572	0	
<b>Federal Program 11.463 Total</b>				<b>59,572</b>	<b>0</b>	
11.473	Coastal Services Center		360	119,297	7,500	
11.473		GCLMR00XX-UW	360	44,880	0	PT
11.473			461	100,000	75,000	
<b>Federal Program 11.473 Total</b>				<b>264,177</b>	<b>82,500</b>	
11.477	Fisheries Disaster Relief		103	151,623	82,469	
<b>Federal Program 11.477 Total</b>				<b>151,623</b>	<b>82,469</b>	
11.478	Ctr for Spnsrd Cstl Ocean Rsch-Cstl Ocean Program		360	394,172	0	
11.478			380	20,470	23,741	

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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Commerce**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
11.478	Ctr for Spnsrd Cstl Ocean Rsch-Cstl Ocean Program	56183	380	23,741	0	PT
<b>Federal Program 11.478 Total</b>				<b>438,383</b>	<b>23,741</b>	
11.550	Public Telecommunication Facilities-Planning/Const		365	167,549	0	
<b>Federal Program 11.550 Total</b>				<b>167,549</b>	<b>0</b>	
11.552	Technology Opportunities		225	76,418	0	
11.552			699	92,330	0	
<b>Federal Program 11.552 Total</b>				<b>168,748</b>	<b>0</b>	
11.611	Manufacturing Extension Part	WSU000137	365	20,484	0	PT
<b>Federal Program 11.611 Total</b>				<b>20,484</b>	<b>0</b>	
11.999	Commerce, UNKNOWN		360	34,332	0	
11.999			477	233,342	0	
11.999		None	477	33,003	0	PT
<b>Federal Program 11.999 Total</b>				<b>300,677</b>	<b>0</b>	
<b>Dept of Commerce Total</b>				<b>41,795,079</b>	<b>22,238,426</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
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**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
12.000	DOD, Contract Number Only Provided	03-000225	360	(9,235)	0	PT
12.000		03-000225 TO #4 MOD#2	360	197,295	0	PT
12.000		03-000225, TO03 MOD3	360	391,393	0	PT
12.000		03-000225,TO02	360	158,214	0	PT
12.000		03-000225,TO02 MOD02	360	314,967	0	PT
12.000		03703	360	4,934	0	PT
12.000		04-3515-01, AM01	360	86,323	0	PT
12.000		04-DEES-01	360	112,000	0	PT
12.000		041301	360	34,075	0	PT
12.000		05-35-28-01	360	37,135	0	PT
12.000		05-ANT-0243-01	360	29,308	0	PT
12.000		0511UW	360	2,182	0	PT
12.000		05626	360	5,804	0	PT
12.000		10083184 AM09	360	53,328	0	PT
12.000		1016565/1/21169 MOD05	360	183,162	0	PT
12.000		110-UW MOD07	360	115,112	0	PT
12.000		1130024 AMEND 2	360	59	0	PT
12.000		186039J	360	17,004	0	PT
12.000		2004-331 MOD01	360	20,173	0	PT
12.000		2004-380 MOD02	360	166,393	0	PT
12.000		2227-001	360	26,878	0	PT
12.000		27-000799, MOD 04	360	481,795	0	PT
12.000		27-000968 MOD#1	360	36,753	0	PT
12.000		27647-B	360	(39,151)	0	PT
12.000		3006656	360	20,567	0	PT
12.000		40091	360	10,869	0	PT
12.000		4400102258	360	5,065	0	PT
12.000		849637 MOD#5	360	228	0	PT
12.000		883443 AM01	360	407,092	0	PT
12.000		9500005898, AM03	360	85,721	0	PT
12.000		A0033550 AM004	360	66,889	0	PT
12.000		C019755, AM08	360	5,335	0	PT
12.000		DAMD17-01-1-0401	360	9,739	0	PT
12.000		DSC0089	360	10,064	0	PT
12.000		E5366250301	360	22,570	0	PT
12.000		FFM334162	360	14,074	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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**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
12.000	DOD, Contract Number Only Provided	HPTI-PET-2001-036	360	57,605	0	PT
12.000		KM5271-03,PCC06	360	198,054	0	PT
12.000		KN1773	360	83,214	0	PT
12.000		KQ5991	360	102,822	0	PT
12.000		KQ6678, MOD #2	360	85,161	0	PT
12.000		N00024-03-D-6606870875	360	28	0	PT
12.000		P.O. C09340028 REV01	360	100,734	0	PT
12.000		PO# 00301, AMD #4	360	4,831	0	PT
12.000		RES980 BLIND II	360	(174)	0	PT
12.000		RP050036	360	76,981	0	PT
12.000		S-01-05	360	23,839	0	PT
12.000		S-40001T	360	90,469	0	PT
12.000		SUB1-00178	360	108,420	0	PT
12.000		TCN 03042 AM03	360	(2)	0	PT
12.000		UW Bud# 665506	360	2,808	0	PT
12.000		UW Bud# 666204	360	64,398	0	PT
12.000		UW Bud# 666837	360	59	0	PT
12.000		UW Bud# 667191	360	1,020	0	PT
12.000		UW Bud# 667343	360	29,013	0	PT
12.000		UW Bud# 667416	360	61,330	0	PT
12.000		UW Bud# 667723	360	2,401	0	PT
12.000		UW Bud# 667735	360	(702)	0	PT
12.000		UW Bud# 667736	360	2,571	0	PT
12.000		UW Bud# 667879	360	125,448	0	PT
12.000		UW Bud# 667981	360	939	0	PT
12.000		UW Bud# 668088	360	52,988	0	PT
12.000		UW Bud# 668092	360	19,689	0	PT
12.000		UW Bud# 668257	360	25,202	0	PT
12.000		UW Bud# 668259	360	36,422	0	PT
12.000		UW Bud# 668260	360	85,339	0	PT
12.000		UW Bud# 668261	360	45,794	0	PT
12.000		UW Bud# 668327	360	66,578	0	PT
12.000		UW Bud# 668603	360	152,416	0	PT
12.000		UW Bud# 668965	360	98,533	0	PT
12.000		UW Bud# 668973	360	71,034	0	PT
12.000		UW Bud# 668990	360	39,240	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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**Federal Programs Not Clustered**

**Dept of Defense**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
12.000	DOD, Contract Number Only Provided	UW Bud# 669008	360	55,498	0	PT
12.000		UW Bud# 669193	360	29,677	0	PT
12.000		UW Bud# 669214	360	11,547	0	PT
12.000		WO8333-01 AM01	360	(11,946)	0	PT
12.000		Z2965104 MOD0D	360	61,157	0	PT
12.000		Z965104	360	114,237	0	PT
12.000		F426000D0039,RZ13	699	674,076	0	PT
<b>Federal Program 12.000 Total</b>				<b>5,932,862</b>	<b>0</b>	
12.110	Planning Assistance to States	04-91	477	6,843	0	PT
12.110		04-93	477	19,407	0	PT
12.110		04-94	477	5,800	0	PT
12.110		05-89	477	2,580	0	PT
12.110		05-90	477	17,558	0	PT
12.110		05-91	477	3,629	0	PT
<b>Federal Program 12.110 Total</b>				<b>55,817</b>	<b>0</b>	
12.111	Emrgncy Adv Measure-Flood Prvt		699	93,560	0	
<b>Federal Program 12.111 Total</b>				<b>93,560</b>	<b>0</b>	
12.112	Pymt to Sts in Lieu Real Estate Tax (Impact Pymts)		005	47,620	0	
<b>Federal Program 12.112 Total</b>				<b>47,620</b>	<b>0</b>	
12.113	St Memorandum of Agreemt Pgm- Reimburse Tech Svcs		461	724,521	0	
12.113			477	3,614	0	
<b>Federal Program 12.113 Total</b>				<b>728,135</b>	<b>0</b>	
12.400	Military Construct-Natl Guard		245	2,384,790	0	
<b>Federal Program 12.400 Total</b>				<b>2,384,790</b>	<b>0</b>	
12.401	National Guard-Oper & Main		245	14,919,960	0	
<b>Federal Program 12.401 Total</b>				<b>14,919,960</b>	<b>0</b>	
<b>Dept of Defense Total</b>				<b>24,162,744</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Housing & Urban Development**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
14.000	HUD, Contract Number Only Provided	625-2003-0012 MOD 02	360	47,556	0	PT
14.000		B03SPWA0845	360	80,038	0	
14.000		COPCWA02085	360	137,481	0	
14.000		SUBGRANT #9920	360	15	0	PT
14.000		SUBGRANT #9920 ORDER#4	360	5,194	0	PT
14.000		652-2002-0015	699	37,960	0	PT
14.000		BO4SPWA0858	699	16,025	0	
<b>Federal Program 14.000 Total</b>				<b>324,269</b>	<b>0</b>	
14.169	Housing Counseling Asst Pgm		148	432,442	432,442	
<b>Federal Program 14.169 Total</b>				<b>432,442</b>	<b>432,442</b>	
14.171	Mfg Home Const/Safety Standrds		103	81,086	0	
<b>Federal Program 14.171 Total</b>				<b>81,086</b>	<b>0</b>	
14.228	Community Developmnt Block Grt		103	25,299,061	24,289,854	
<b>Federal Program 14.228 Total</b>				<b>25,299,061</b>	<b>24,289,854</b>	
14.231	Emergency Shelter Grants Pgm		103	1,365,077	1,316,839	
<b>Federal Program 14.231 Total</b>				<b>1,365,077</b>	<b>1,316,839</b>	
14.235	Supportive Housing Program		103	1,963,617	1,825,966	
<b>Federal Program 14.235 Total</b>				<b>1,963,617</b>	<b>1,825,966</b>	
14.239	Home Inv Partnerships Program		103	12,887,211	12,256,866	
14.239		FY 2005 HK SEA	148	525,108	0	PT
<b>Federal Program 14.239 Total</b>				<b>13,412,319</b>	<b>12,256,866</b>	
14.241	Housing Opprt for Persons w AIDS		103	636,453	615,000	
<b>Federal Program 14.241 Total</b>				<b>636,453</b>	<b>615,000</b>	
14.246	Community Devel Bkck Grnts/Brownfield Ec Initiative		103	90,044	90,043	
<b>Federal Program 14.246 Total</b>				<b>90,044</b>	<b>90,043</b>	
14.250	Rural Housing & Economic Development		148	167,446	167,446	
<b>Federal Program 14.250 Total</b>				<b>167,446</b>	<b>167,446</b>	
14.401	Fair Housing Assistance Pgm		120	362,859	0	
<b>Federal Program 14.401 Total</b>				<b>362,859</b>	<b>0</b>	
14.511	Comm Outreach Partnrshp Ctr Prog		360	165,614	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**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
14.511	Comm Outreach Partnrshp Ctr Prog		699	138,535	0	
<b>Federal Program 14.511 Total</b>				<b>304,149</b>	<b>0</b>	
14.512	Comm Develpt Work-Study Prog		360	120,088	0	
<b>Federal Program 14.512 Total</b>				<b>120,088</b>	<b>0</b>	
14.901	Healthy Homes Demonstration Grants	NH313-03-2	360	35,696	0	PT
<b>Federal Program 14.901 Total</b>				<b>35,696</b>	<b>0</b>	
14.999	HUD, UNKNOWN		365	91,230	0	
<b>Federal Program 14.999 Total</b>				<b>91,230</b>	<b>0</b>	
<b>Housing &amp; Urban Development Total</b>				<b>44,685,836</b>	<b>40,994,456</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(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
15.000	DOI, Contract Number Only Provided	00FC200021-MOD01	360	96,092	96,090	
15.000		00HQGR0063	360	(1)	0	
15.000		01HQAG0004, MOD03	360	50,961	0	
15.000		01HQAG0017 MOD05	360	33,299	0	
15.000		02-FC-81-0813	360	34	0	
15.000		03 WRAG0001 MO#001	360	35,474	0	
15.000		03ERAG0061, MO01	360	2,972	0	
15.000		03HQAG0020	360	(1,490)	0	
15.000		04CS101545, MOD01	360	108,017	0	
15.000		101813M252 MOD04	360	14,003	0	
15.000		1434 HQ 97RU01583 WO61	360	36,300	0	
15.000		1434-HQ-97-RU-01583	360	8,612	0	
15.000		1434-HQ-97-RU-1583RW62	360	209,975	0	
15.000		1434-HQ-97-RU-1583WO64	360	9,877	0	
15.000		1434-HQ-97-RU1583RWO62	360	85,921	0	
15.000		1434-HQ-97-RU1583RWO67	360	37,358	0	
15.000		1434-HQ97-RU-01583WO63	360	(4)	0	
15.000		2003-02 CHANGE ORDER 1	360	(85)	0	PT
15.000		30479-06	360	2,732	0	PT
15.000		53 02-GP-297	360	10,400	0	
15.000		53-03-GP-358	360	28,949	0	
15.000		570201 AM01	360	12,848	0	PT
15.000		70181-9-J194 MOD08	360	36,216	0	
15.000		701811C054AM02	360	(266)	0	
15.000		701813J541	360	19,503	0	
15.000		701813J541, MOD01	360	8,365	0	
15.000		701813J541, MOD02	360	43,114	0	
15.000		701814M480	360	4,785	0	
15.000		98HQAG2200/98200HS0111	360	2	0	
15.000		AGP000726	360	31,712	0	
15.000		CA-9088A0008TAUW-01-11	360	11,382	0	
15.000		CA0088A0008TA #UW-01-25	360	(30)	0	
15.000		CA9088A0008TAJ90880200	360	4,077	0	
15.000		CA9088A0008TAUW0123 M1	360	5,189	0	
15.000		COOP 04-007	360	53,114	0	PT
15.000		GC259-04-Z1138	360	4,638	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of the Interior**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
15.000	DOI, Contract Number Only Provided	HAA003D00 TO HAF043D03	360	9,200		0
15.000		HAA003D00 TO HAW013D01	360	2,351		0
15.000		HAC002018AM08	360	82,470		0
15.000		J9088020006MOD01CA9088	360	44,810		0
15.000		J9088020008CA9088A0008	360	392		0
15.000		J9088020011CA9088A0008	360	(1,227)		0
15.000		J9088020012CA9088A0008	360	8,459		0
15.000		J9088020013CA9088A0008	360	36,185		0
15.000		J9088020014 MOD02	360	152		0
15.000		J9088020015	360	1,616		0
15.000		J9088020016, MOD02	360	32,081		0
15.000		J9088020017CA9088A0008	360	13,965		0
15.000		J9088020020 MOD04	360	31,892		0
15.000		J9088020022CA9088A0008	360	2,304		0
15.000		J9088020023CA9088A0008	360	758		0
15.000		J9W88030011	360	21,510		0
15.000		J9W88030013	360	26,090		0
15.000		J9W88030014CA9088A0008	360	23,762		0
15.000		J9W88030018CA9088A0008	360	5,539		0
15.000		J9W88030020 MOD#02	360	8,119		0
15.000		J9W88030021, MOD01	360	45		0
15.000		J9W88030023	360	68,391		0
15.000		J9W88030024	360	33,193		0
15.000		J9W88030027 CA9088A8	360	30,598		0
15.000		J9W88040006CA9088A0008	360	48,664		0
15.000		J9W88040007CA9088A0008	360	27,414		0
15.000		J9W88040014CA9088A0008	360	65,714		0
15.000		J9W88040021CA9088A0008	360	3,600		0
15.000		J9W88040022	360	10,184	9,933	
15.000		J9W88040023CA9088A0008	360	14,359		0
15.000		J9W88040027CA9088A0008	360	7,696		0
15.000		J9W88040030CA9088A0008	360	386		0
15.000		J9W88040031	360	5,630		0
15.000		PO# OHM-190	360	37,821		0 PT
15.000		PO#: PD-61100-L-BD	360	191		0 PT
15.000		Q9088020009 MOD02	360	8,275		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 Year Ended  
June 30, 2005  
(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
15.000	DOI, Contract Number Only Provided	RWO64 1434-HQ-97RU1583	360	88,533	0	
15.000		T.O.J9W88050001	360	27,007	0	
15.000		TA #J908802007, MOD01	360	(674)	0	
15.000		TA UW-01-1 MOD03	360	17,639	0	
15.000		US-01-15 CA9088A0008	360	(36)	0	
15.000		UW Bud# 631583	360	674	0	PT
15.000		UW Bud# 667482	360	18,884	0	PT
15.000		UW Bud# 668716	360	22,508	0	PT
15.000		UW-01-10 MOD05	360	7,469	0	
15.000		UW-01-12 MOD04	360	36,620	0	
15.000		UW-01-14/CA9088A0008	360	(5)	0	
15.000		UW-01-19 MOD02	360	543	0	
15.000		UW-01-27 MOD05	360	1,331	0	
15.000		UW-01-5/0001-CA9088A8	360	16,042	0	
15.000		UW-02-03,CA9088A008	360	4,351	0	
15.000		04BC1U5270	365	6,881	0	
15.000		04PG170123	365	11,156	0	
15.000		05CRAG0014	365	2,871	0	
15.000		101312G104	365	32,658	0	
15.000		101361	365	20,834	0	PT
15.000		101813M251	365	2,175	0	
15.000		142500MA103020	365	21,959	0	
15.000		GDA020015	365	10,993	0	
15.000		GUAR24300221	365	1,157	0	
15.000		GUAR24300222	365	1,769	0	
15.000		HAA003D00	365	6,588	0	
15.000		HVP050012	365	5,110	0	
15.000		HVP050013	365	8,995	0	
15.000		JSA045005	365	24,965	0	
15.000		WSU000122	365	(474)	0	PT
15.000		WSU000126	365	912	0	PT
15.000		WSU000183	365	2,433	0	PT
15.000		WSU000184	365	2,828	0	PT
15.000		02-FG-81-0744	375	4,600	0	
15.000		04-FG-81-1021	375	221,085	0	
15.000		4-AA-91-WH-145	375	2,411	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 Year Ended  
 June 30, 2005  
 (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
15.000	DOI, Contract Number Only Provided	GC268-03-Z1138	375	4,993	0	PT
15.000		H9453020047	375	11,691	0	
15.000		SO87B30007-93	375	864	0	
15.000		H6490030307	390	309,830	0	PT
15.000		14110-4-J006	477	2,338,646	0	
15.000		14110-4-J007	477	687,704	0	
15.000		14110-4-J056	477	142,716	0	
15.000		14110-4-J072	477	538,040	0	
15.000		X-1-D-10	477	8,687	0	
15.000		X-1-D-12	477	(8,769)	0	
15.000		X-1-D-9	477	7,684	0	
15.000		NFS99-06-036	490	34,149	0	
<b>Federal Program 15.000 Total</b>				<b>6,425,661</b>	<b>106,023</b>	
15.114	Indian Ed-Higher Ed Grant Pgm		365	142,911	0	
<b>Federal Program 15.114 Total</b>				<b>142,911</b>	<b>0</b>	
15.225	Recreation Resource Mgt		495	15,587	0	
<b>Federal Program 15.225 Total</b>				<b>15,587</b>	<b>0</b>	
15.226	Payments in Lieu of Taxes		005	596,787	0	
<b>Federal Program 15.226 Total</b>				<b>596,787</b>	<b>0</b>	
15.227	Distribtn of Receipts to State & Local Govts		005	22,367	0	
<b>Federal Program 15.227 Total</b>				<b>22,367</b>	<b>0</b>	
15.228	Wildland Urban Interface Commnity/Rural Fire Asst		365	37,028	0	
15.228			461	34,370	0	
15.228			490	994,424	912,873	
<b>Federal Program 15.228 Total</b>				<b>1,065,822</b>	<b>912,873</b>	
15.504	Water Reclamation & Reuse Prog		477	17,664	0	
<b>Federal Program 15.504 Total</b>				<b>17,664</b>	<b>0</b>	
15.608	Fish & Wildlife Mgmt Assistnce	550469 UW HERWIG, AM	360	8,594	0	PT
15.608			365	304,549	220,477	
15.608			467	4,040,969	3,806,091	
15.608			477	1,060,859	0	
15.608			490	324,182	258,299	

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 Year Ended  
June 30, 2005  
(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
<b>Federal Program 15.608 Total</b>				<b>5,739,153</b>	<b>4,284,867</b>	
15.614	Coastal Wetland Restoration Act		365	1,572	0	
15.614			461	1,675,231	841,177	
15.614			465	5,014	0	
15.614			477	1,401,036	0	
15.614			490	865,690	0	
<b>Federal Program 15.614 Total</b>				<b>3,948,543</b>	<b>841,177</b>	
15.615	Cooperative Endangered Species Conservation Fund		477	1,530,025	0	
15.615			490	8,754,676	525,736	
15.615			699	1,680	0	
<b>Federal Program 15.615 Total</b>				<b>10,286,381</b>	<b>525,736</b>	
15.616	Clean Vessel Act		465	314,178	0	
<b>Federal Program 15.616 Total</b>				<b>314,178</b>	<b>0</b>	
15.617	Wildlife Conserv & Appreciation		477	1,908	0	
<b>Federal Program 15.617 Total</b>				<b>1,908</b>	<b>0</b>	
15.620	African Elephant Conservation		360	51,302	0	
<b>Federal Program 15.620 Total</b>				<b>51,302</b>	<b>0</b>	
15.622	Sportfishing & Boat Safety Act		467	98,995	97,928	
<b>Federal Program 15.622 Total</b>				<b>98,995</b>	<b>97,928</b>	
15.623	N. American Wetlands Conservation Fund		477	80,015	0	
<b>Federal Program 15.623 Total</b>				<b>80,015</b>	<b>0</b>	
15.630	Coastal Program		477	9,245	0	
<b>Federal Program 15.630 Total</b>				<b>9,245</b>	<b>0</b>	
15.631	Partners for Fish and Wildlife	UW Bud# 669322	360	17,309	0	PT
15.631			477	759,054	0	
<b>Federal Program 15.631 Total</b>				<b>776,363</b>	<b>0</b>	
15.632	Conservatn Grnts Privte Stewrdshp for Imprild Spec		477	480,085	0	
<b>Federal Program 15.632 Total</b>				<b>480,085</b>	<b>0</b>	
15.633	Landowner Incentive		477	415,117	0	
<b>Federal Program 15.633 Total</b>				<b>415,117</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
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(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
15.634	State Wildlife Grants		477	3,165,471	0	
<b>Federal Program 15.634 Total</b>				<b>3,165,471</b>	<b>0</b>	
15.809	Natl Spatial Data Infrastructur Coop Ag Prog	59132 GO AMD 3	360	(3)	0	PT
15.809			405	565	0	
<b>Federal Program 15.809 Total</b>				<b>562</b>	<b>0</b>	
15.810	Natl Coop Geologic Mapping Prog		490	264,401	0	
<b>Federal Program 15.810 Total</b>				<b>264,401</b>	<b>0</b>	
15.811	Gap Analysis Program		360	172,852	0	
<b>Federal Program 15.811 Total</b>				<b>172,852</b>	<b>0</b>	
15.812	Cooperative Research Units Program		360	46,165	0	
<b>Federal Program 15.812 Total</b>				<b>46,165</b>	<b>0</b>	
15.904	Historic Preservation Fund Grt		103	721,378	174,823	
15.904			465	12,536	0	
<b>Federal Program 15.904 Total</b>				<b>733,914</b>	<b>174,823</b>	
15.916	Outdoor Rec-Aquis,Dev&Plan	P0012897	365	9	0	PT
15.916		P0013635	365	23,438	0	PT
15.916			467	493,686	476,093	
<b>Federal Program 15.916 Total</b>				<b>517,133</b>	<b>476,093</b>	
15.921	Rivers, Trails & Conserv Asst		380	13,000	0	
<b>Federal Program 15.921 Total</b>				<b>13,000</b>	<b>0</b>	
15.922	Nat Amer Graves Protection & Repatriation		375	30,240	0	
15.922			395	13,917	0	
<b>Federal Program 15.922 Total</b>				<b>44,157</b>	<b>0</b>	
15.923	Nat Center for Preservation Technology & Training		380	(186)	0	
<b>Federal Program 15.923 Total</b>				<b>(186)</b>	<b>0</b>	
15.999	DOI, UNKNOWN		360	12,731	0	
15.999			370	3,856	0	
15.999			461	45,392	0	
15.999			465	5,439	0	
15.999		None	477	56,738	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 Year Ended  
June 30, 2005  
(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
<b>Federal Program 15,999 Total</b>				<b>124,156</b>	<b>0</b>	
<b>Dept of the Interior Total</b>				<b>35,569,709</b>	<b>7,419,520</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington  
 Schedule of Expenditures of Federal Awards

For the Year Ended  
 June 30, 2005  
 (Expressed in whole dollars)

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
16.000	Justice, Contract Number Only Provided	C040252FED	225	7,283	0	
16.000		C040279FED	225	4,050	0	
16.000		C040599FED	225	4,989	0	
16.000		C040740FED	225	125	0	
16.000		C040741FED	225	1,108	0	
16.000		C040742FED	225	2,090	0	
16.000		C040881FED	225	325,424	216,125	
16.000		C050188FED	225	21,220	0	
16.000		C050208FED	225	14,666	0	
16.000		C050269FED	225	13,697	0	
16.000		C050298FED	225	12,663	0	
16.000		C050439FED	225	2,661	0	
16.000		C050465FED	225	8,000	0	
16.000		C050468FED	225	310	0	
16.000		C050663FED	225	102,406	0	
16.000		102170	365	8,278	0	PT
16.000		WSU000142	365	41,399	0	PT
16.000		WSU000163	365	4,709	0	PT
16.000		WSU000172	365	428	0	PT
16.000		WSU000176	365	15,757	0	PT
<b>Federal Program 16.000 Total</b>				<b>591,263</b>	<b>216,125</b>	
16.007	State Domestic Preparedness Equip Support		245	845,131	829,596	
<b>Federal Program 16.007 Total</b>				<b>845,131</b>	<b>829,596</b>	
16.202	Offender Reentry Program		310	597,767	0	
<b>Federal Program 16.202 Total</b>				<b>597,767</b>	<b>0</b>	
16.523	Juvenile Accountability Incentive Blk Grnts		300	3,076,706	2,497,186	
<b>Federal Program 16.523 Total</b>				<b>3,076,706</b>	<b>2,497,186</b>	
16.525	Grnts to Reduce Violnt Crimes Against Womn/ Campus		370	55,433	6,248	
16.525			380	150,840	0	
<b>Federal Program 16.525 Total</b>				<b>206,273</b>	<b>6,248</b>	
16.540	Juvenile Justice & Delq Prevnt		300	1,046,682	0	
<b>Federal Program 16.540 Total</b>				<b>1,046,682</b>	<b>0</b>	
16.548	Title V-Delinquency Prevent Prog		300	10,003	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Justice**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 16.548 Total</b>				<b>10,003</b>	<b>0</b>	
16.549	Part E-State Challenge Activities		300	177,836	0	
<b>Federal Program 16.549 Total</b>				<b>177,836</b>	<b>0</b>	
16.550	State Justice Statistics Prog for Stat Analysis Ct		105	50,000	0	
<b>Federal Program 16.550 Total</b>				<b>50,000</b>	<b>0</b>	
16.554	Nat Criminal Hist Improve Prog (NCHIP)		105	355,947	293,561	
<b>Federal Program 16.554 Total</b>				<b>355,947</b>	<b>293,561</b>	
16.564	Crime Lab Improvmt-Combined Offender DNA Index Sys		225	474,054	0	
<b>Federal Program 16.564 Total</b>				<b>474,054</b>	<b>0</b>	
16.565	NIJ Domestic Anti-Terrorism Tech Dvlp Prog	5-36331.570	360	58,544	0	PT
<b>Federal Program 16.565 Total</b>				<b>58,544</b>	<b>0</b>	
16.572	State Criminal Alien Assistance Program		310	2,206,930	0	
<b>Federal Program 16.572 Total</b>				<b>2,206,930</b>	<b>0</b>	
16.575	Crime Victim Assistance		300	5,458,283	0	
<b>Federal Program 16.575 Total</b>				<b>5,458,283</b>	<b>0</b>	
16.576	Crime Victim Compensation		235	4,444,000	0	
<b>Federal Program 16.576 Total</b>				<b>4,444,000</b>	<b>0</b>	
16.579	Byrne Formula Grant Program		103	9,510,480	8,147,067	
<b>Federal Program 16.579 Total</b>				<b>9,510,480</b>	<b>8,147,067</b>	
16.580	Edward Byrne Memorial Law Enfremt Grnts	C010496FED	225	(28,617)	0	PT
16.580			303	24,212	0	
<b>Federal Program 16.580 Total</b>				<b>(4,405)</b>	<b>0</b>	
16.585	Drug Court Discret Grnt Prog		300	69	0	
16.585		531346	370	7,470	0	PT
<b>Federal Program 16.585 Total</b>				<b>7,539</b>	<b>0</b>	
16.586	Violent Offndr Incarc/Truth in Sentnc Incent Grnts		310	8,138,650	1,108,094	
<b>Federal Program 16.586 Total</b>				<b>8,138,650</b>	<b>1,108,094</b>	
16.588	Violence Against Women-Form Grnts		103	2,802,060	2,528,639	
<b>Federal Program 16.588 Total</b>				<b>2,802,060</b>	<b>2,528,639</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington  
 Schedule of Expenditures of Federal Awards

For the Year Ended  
 June 30, 2005  
 (Expressed in whole dollars)

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
16.589	Rural Domestic Violence/Chld Victm Enfor		103	1,029,978	69,205	
<b>Federal Program 16.589 Total</b>				<b>1,029,978</b>	<b>69,205</b>	
16.592	Local Law Enforcement Block Grants		103	209,411	209,411	
16.592		N/A	375	7,291	0	PT
16.592		not available	376	3,100	0	PT
<b>Federal Program 16.592 Total</b>				<b>219,802</b>	<b>209,411</b>	
16.593	Residentl Substnce Abuse Treatmt-St Prisnrs		103	748,411	0	
<b>Federal Program 16.593 Total</b>				<b>748,411</b>	<b>0</b>	
16.607	Bulletproof Vest Partnership Prog		117	4,589	0	
16.607			225	4,589	0	
<b>Federal Program 16.607 Total</b>				<b>9,178</b>	<b>0</b>	
16.609	Community Prosecution & Projt Safe Neighborhoods		103	157,481	153,057	
<b>Federal Program 16.609 Total</b>				<b>157,481</b>	<b>153,057</b>	
16.610	Regional Information Sharing Systems	C040802FED	225	118,439	0	PT
16.610		C050416FED	225	134,158	0	PT
<b>Federal Program 16.610 Total</b>				<b>252,597</b>	<b>0</b>	
16.710	Public Safety Partnshp & Comm Policing Grnts	C040931GSC	225	(135,000)	0	PT
16.710		C041268FED	225	17,400	0	PT
16.710			310	(4,226)	0	
16.710			365	493,522	0	
16.710		C004056	461	40,155	0	PT
16.710		C005029	461	468	0	PT
<b>Federal Program 16.710 Total</b>				<b>412,319</b>	<b>0</b>	
16.712	Police Corps		227	948,507	0	
<b>Federal Program 16.712 Total</b>				<b>948,507</b>	<b>0</b>	
16.727	Enforcing Underage Drinking Laws Program		300	485,512	65,337	
<b>Federal Program 16.727 Total</b>				<b>485,512</b>	<b>65,337</b>	
16.730	Reductn & Prevntn of Childrn's Exposure to Violenc		365	663,112	383,530	
<b>Federal Program 16.730 Total</b>				<b>663,112</b>	<b>383,530</b>	
16.735	Protecting Inmates and Safeguarding Communities		310	125,294	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 Year Ended*  
*June 30, 2005*  
*(Expressed in whole dollars)*

**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
<b>Federal Program 16.735 Total</b>				<b>125,294</b>	<b>0</b>	
<b>Dept of Justice Total</b>				<b>45,105,934</b>	<b>16,507,056</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Labor**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
17.000	Labor, Contract Number Only Provided	46K1-HT18	360	(1,457)	0	PT
17.000		UW Bud# 661717	360	14,317	0	PT
17.000		DETPY0304AAG007	365	3,910	0	PT
17.000		SPR02114202	365	49,422	0	PT
<b>Federal Program 17.000 Total</b>				<b>66,192</b>	<b>0</b>	
17.002	Labor Force Statistics		540	1,793,930	0	
<b>Federal Program 17.002 Total</b>				<b>1,793,930</b>	<b>0</b>	
17.005	Compensation & Working Conditions		235	125,145	0	
<b>Federal Program 17.005 Total</b>				<b>125,145</b>	<b>0</b>	
17.203	Labor Certification-Alien Wkrs		540	286,442	0	
<b>Federal Program 17.203 Total</b>				<b>286,442</b>	<b>0</b>	
17.225	Unemployment Insurance		540	927,743,834	0	
<b>Federal Program 17.225 Total</b>				<b>927,743,834</b>	<b>0</b>	
17.235	Senior Comm Service Empl Pgm		300	1,209,044	1,158,015	
17.235		Local	540	129,250	0	PT
17.235		A058001203(1)	699	8,815	0	PT
<b>Federal Program 17.235 Total</b>				<b>1,347,109</b>	<b>1,158,015</b>	
17.245	Trade Adj Assistance - Workers		540	35,290,679	0	
<b>Federal Program 17.245 Total</b>				<b>35,290,679</b>	<b>0</b>	
17.253	Welfare-to-Work Grnts to States & Localities	Local	540	25,202	0	PT
<b>Federal Program 17.253 Total</b>				<b>25,202</b>	<b>0</b>	
17.257	One-Stop Career Center Initiative		540	675,466	0	
<b>Federal Program 17.257 Total</b>				<b>675,466</b>	<b>0</b>	
17.261	Emplmnt & Traing Admin Pilots, Demos & Resch		365	19,390	0	
17.261			699	317,292	0	
17.261		1V61	699	597,569	0	PT
17.261		1V69	699	1,862	0	PT
17.261		1V74	699	15,917	0	PT
17.261		1V77	699	217,818	0	PT
17.261		H-1B03	699	16,345	0	PT
<b>Federal Program 17.261 Total</b>				<b>1,186,193</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Labor**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
17.266	Work Incentives Grant		540	80,531	0	
<b>Federal Program 17.266 Total</b>				<b>80,531</b>	<b>0</b>	
17.267	WIA Incentive Grants-Sect 503 Grants to States	WDC0424	365	9,816	0	PT
17.267			540	2,132,763	0	
17.267		0405-72	699	72,000	0	PT
17.267		145-100-3288	699	26,112	0	PT
17.267		1V62	699	139,728	0	PT
17.267		61110-02-7140/737	699	133,180	0	PT
17.267		PL105-220	699	45,722	0	PT
17.267		WCC-04-01	699	19,425	0	PT
17.267		WDC-XF035	699	86,963	0	PT
<b>Federal Program 17.267 Total</b>				<b>2,665,709</b>	<b>0</b>	
17.503	Occupational Safety & Hlth-St Prog		235	7,201,636	0	
<b>Federal Program 17.503 Total</b>				<b>7,201,636</b>	<b>0</b>	
17.600	Mine Health & Safety Grants		370	141,324	2,996	
<b>Federal Program 17.600 Total</b>				<b>141,324</b>	<b>2,996</b>	
17.805	Homeless Veterans Reintegration Project		305	375,948	0	
17.805		Local	540	156,252	0	PT
<b>Federal Program 17.805 Total</b>				<b>532,200</b>	<b>0</b>	
<b>Dept of Labor Total</b>				<b>979,161,592</b>	<b>1,161,011</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**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
19.000	State, Contract Number Only Provided	03-182-2046-000	360	36	0	
19.000		532A00030010300	360	835,190	541,360	
19.000		532G00050000400	360	319,516	27,524	
19.000		AID 1233-01702-LPS	360	18,064	0	PT
19.000		ASPS-0334 A001	360	19,406	0	
19.000		CRD.1146-01521-LPS AM2	360	3,528	0	PT
19.000		CSA-94-143 AM03	360	(480)	0	PT
19.000		CSA-99-271 AMO1	360	(9,157)	0	PT
19.000		MC 03 332	360	12,386	0	PT
19.000		PC-04-8-085	360	10,648	0	
19.000		S-ECAAS-04-GR-159	360	16,640	0	
19.000		S-INLEC-05-CA-0004	360	67,724	0	
19.000		SECAAS03GR166MA	360	323,446	0	
19.000		SECAAS03GR242JJ	360	66,354	0	
19.000		SLMAQM03H0079	360	22,735	0	
19.000		UW Bud# 666739	360	8,514	0	PT
19.000		UW Bud# 670778	360	9,061	0	PT
19.000		UW Bud# 670779	360	9,091	0	PT
19.000		UW Bud# 670780	360	9,091	0	PT
19.000		UW Bud# 800083	360	(1)	0	PT
19.000		UW Bud# 800194	360	(6,799)	0	PT
19.000		UW Bud# 800352	360	2,700	0	PT
19.000		UW Bud# 800454	360	32,591	0	PT
19.000		UW Bud# 800455	360	96,698	0	PT
19.000		1410001	365	517,236	0	PT
19.000		19276425631	365	36,907	0	PT
19.000		278A00000021100	365	294,492	154,631	
19.000		613128	365	125,019	0	PT
19.000		690A00920005600	365	13,975	0	
19.000		690G00040029000	365	523,012	0	
19.000		CR19276434604	365	(2)	0	PT
19.000		GUAR33613616	365	15,408	0	PT
19.000		WSU000124	365	19,737	0	PT
<b>Federal Program 19.000 Total</b>				<b>3,412,766</b>	<b>723,515</b>	
19.408	Educl Exchnge-Teachers-Sec& Post-Sec/Schl Admrns		370	67,415	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of State**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 19.408 Total</b>				<b>67,415</b>	<b>0</b>	
19.424	Educational Partnerships Program		365	176,519	0	
<b>Federal Program 19.424 Total</b>				<b>176,519</b>	<b>0</b>	
<b>Dept of State Total</b>				<b>3,656,700</b>	<b>723,515</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(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
20.000	DOT, Contract Number Only Provided	DTNH2204H05252	228	79,175	79,175	
20.000		04-C-AM-UW, AM004	360	11,760	0	
20.000		04-C-AM-UW, AM03	360	102,531	0	
20.000		04CAMUWAM001	360	43,394	0	
20.000		04CAMUWAM002	360	71,783	0	
20.000		100900-2-0210 T.O.#01	360	(180)	0	PT
20.000		100900-2-0210TO02 MOD2	360	704	0	PT
20.000		2001102-2CONTACT200105	360	(15)	0	PT
20.000		DTNH 22-99-H-17444MO15	360	347,305	0	
20.000		DTNH22-99-H-27000 AM09	360	232,530	0	
20.000		DTRS99-G-0010	360	193,298	526	
20.000		DTRS99-G-0010, M001	360	22,302	0	
20.000		DTRS99-G-0010, M0D03	360	187,912	0	
20.000		DTRS99-G-0010, M0D06	360	546,233	137,841	
20.000		MEC26040014 WO#3 MOD1	360	7,982	0	PT
20.000		UW Bud# 668470	360	24,886	0	PT
20.000		04CAMWSU	365	25,519	0	
20.000		2611070080002	365	40,739	0	PT
20.000		DTFH6103C00104	365	352,443	0	
20.000		DTFH6105C00008	365	95,578	0	
20.000		UMS479	365	44,857	0	PT
20.000		WSU000120	365	44,168	0	PT
20.000		X68040028	365	462	0	
<b>Federal Program 20.000 Total</b>				<b>2,475,366</b>	<b>217,542</b>	
20.106	Airport Improvement Program		405	941,984	0	
<b>Federal Program 20.106 Total</b>				<b>941,984</b>	<b>0</b>	
20.109	Air Transp Ctrs for Excellence		699	90,087	0	
<b>Federal Program 20.109 Total</b>				<b>90,087</b>	<b>0</b>	
20.215	Highway Training & Education		365	(467)	0	
<b>Federal Program 20.215 Total</b>				<b>(467)</b>	<b>0</b>	
20.218	Natl Motor Carrier Safety		225	3,862,644	0	
20.218			240	285,350	0	
<b>Federal Program 20.218 Total</b>				<b>4,147,994</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Transportation**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
20.219	Recreational Trails Prog		467	1,050,359	1,005,366	
<b>Federal Program 20.219 Total</b>				<b>1,050,359</b>	<b>1,005,366</b>	
20.505	Federal Transit-Metropltn Plannng Grants		405	1,649,672	1,578,520	
<b>Federal Program 20.505 Total</b>				<b>1,649,672</b>	<b>1,578,520</b>	
20.509	Formula Grants for other than Urbanized Areas		405	5,074,266	4,683,320	
<b>Federal Program 20.509 Total</b>				<b>5,074,266</b>	<b>4,683,320</b>	
20.513	Capital Assist.- Elderly & Hdcp		405	1,325,826	1,270,274	
<b>Federal Program 20.513 Total</b>				<b>1,325,826</b>	<b>1,270,274</b>	
20.515	State Planning & Research		405	210,160	69,576	
<b>Federal Program 20.515 Total</b>				<b>210,160</b>	<b>69,576</b>	
20.516	Job Access - Reverse Commute		405	1,642,619	1,603,319	
<b>Federal Program 20.516 Total</b>				<b>1,642,619</b>	<b>1,603,319</b>	
20.700	Pipeline Safety		105	361,331	361,331	
20.700			215	574,705	0	
<b>Federal Program 20.700 Total</b>				<b>936,036</b>	<b>361,331</b>	
20.703	Interagency Hazardous Matls		245	160,861	145,683	
<b>Federal Program 20.703 Total</b>				<b>160,861</b>	<b>145,683</b>	
20.999	DOT, UNKNOWN		360	19,386	0	
20.999			370	602,637	0	
<b>Federal Program 20.999 Total</b>				<b>622,023</b>	<b>0</b>	
<b>Dept of Transportation Total</b>				<b>20,326,786</b>	<b>10,934,931</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of the Treasury**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
21.008	Low-Income Taxpayer Clinics		360	104,980	0	
<b>Federal Program 21.008 Total</b>				<b>104,980</b>	<b>0</b>	
21.999	Treasury, UNKNOWN		103	2,000,000	0	
<b>Federal Program 21.999 Total</b>				<b>2,000,000</b>	<b>0</b>	
<b>Dept of the Treasury Total</b>				<b>2,104,980</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Equal Employment Opportunity**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
30.002	Emplymt Discrim-St/Locl Ageys		120	404,048	0	
<b>Federal Program 30.002 Total</b>				<b>404,048</b>	<b>0</b>	
<b>Equal Employment Opportunity Total</b>				<b>404,048</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Federal Communications Commisn**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
32.001	Communica Info/Asst/Investigat	8607	365	71,236	0	PT
32.001		WSU000149	365	5,617	0	PT
<b>Federal Program 32.001 Total</b>				<b>76,853</b>	<b>0</b>	
<b>Federal Communications Commisn Total</b>				<b>76,853</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**General Services Admin**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
39.000	GSA, Contract Number Only Provided	LLNDWSU001	365	599,842	0	PT
<b>Federal Program 39.000 Total</b>				<b>599,842</b>	<b>0</b>	
39.003	Donatn-Fed Surplus Persnl Prop		150	29,970	0	NC
39.003			300	693	0	NC
39.003			310	91,889	0	NC
39.003			360	5,643	0	NC
39.003			465	9,790	0	NC
39.003			477	8,602	0	NC
39.003			699	21,505	0	NC
<b>Federal Program 39.003 Total</b>				<b>168,092</b>	<b>0</b>	
39.011	Election Reform Payments		085	1,045,049	906,639	
<b>Federal Program 39.011 Total</b>				<b>1,045,049</b>	<b>906,639</b>	
<b>General Services Admin Total</b>				<b>1,812,983</b>	<b>906,639</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Nat'l Aeronautics & Space Admin**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
43.000	NASA, Contract Number Only Provided	03-DEES-04 AM01 & AM02	360	4,579	0	PT
43.000		032T3029932, AMD001	360	268	0	PT
43.000		04-DEES-09	360	5,542	0	PT
43.000		07605-003-018 MO01	360	(22,408)	0	PT
43.000		07605-003-027	360	197,000	0	PT
43.000		07605-003-038	360	72,222	0	PT
43.000		10234024	360	241	0	PT
43.000		1216232 (MOD08)	360	13,518	0	PT
43.000		1216233	360	11,703	0	PT
43.000		1216233 MOD08	360	22,406	0	PT
43.000		1216233 MOD10	360	127,706	0	PT
43.000		1216234	360	32,633	0	PT
43.000		1221119 MOD #10	360	68,819	0	PT
43.000		1227565, MOD04	360	7,059	0	PT
43.000		123267-01	360	20,526	0	PT
43.000		1234873, MOD05	360	33,406	0	PT
43.000		1236675, MOD NO. 1	360	(9)	0	PT
43.000		12415, MODIFICATION #2	360	45,034	0	PT
43.000		1242284 MOD08	360	26,921	0	PT
43.000		1245173 MOD #2 & #3	360	63,461	0	PT
43.000		1249457 MOD2 & 3	360	3,277	0	PT
43.000		1250164, MOD 6	360	94,973	0	PT
43.000		1252463 MOD01	360	18,141	0	PT
43.000		1256577	360	18,008	0	PT
43.000		1258845-MOD2	360	33,211	0	PT
43.000		1262667 MOD 1	360	49,935	0	PT
43.000		1263191	360	108,010	0	PT
43.000		1264274	360	10,082	0	PT
43.000		126586-1110048 AM06	360	131,047	0	PT
43.000		1267029	360	13,909	0	PT
43.000		1267196	360	50,516	0	PT
43.000		1268416	360	32,756	0	PT
43.000		1269358	360	15,660	0	PT
43.000		1269625	360	7,555	0	PT
43.000		1951	360	12,746	0	PT
43.000		50102	360	11,082	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Nat'l 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
43.000	NASA, Contract Number Only Provided	669781 AM02	360	42,339	0	PT
43.000		669781 AM05	360	(8,434)	0	PT
43.000		8100000144	360	7,876	0	PT
43.000		AA-5-65291 MOD04	360	58,977	0	PT
43.000		DTM-3159-07, AM03	360	194,191	0	PT
43.000		EO 00203, AM09 & AM10	360	65,820	0	PT
43.000		G02-3033X AM02	360	13,330	0	PT
43.000		G056112X	360	9,401	0	PT
43.000		GO-08314.01-97A AM01	360	1,687	0	PT
43.000		HST GO 10132.01 A	360	9,710	0	PT
43.000		HST-AR-08736.05-A AM01	360	(28)	0	PT
43.000		HST-AR-08743-01-A AM01	360	(6)	0	PT
43.000		HST-AR-09959.02-A	360	16,598	0	PT
43.000		HST-AR-10309.02-A	360	14,482	0	PT
43.000		HST-AR-10312.01-A	360	29,586	0	PT
43.000		HST-GO-09058.03-A	360	(25)	0	PT
43.000		HST-GO-09157.11-A	360	88	0	PT
43.000		HST-GO-09815.01-A	360	14,886	0	PT
43.000		HST-GO-08211.01-A	360	2,414	0	PT
43.000		HST-GO-0860105-A AM3/4	360	182	0	PT
43.000		HST-GO-08613.01-A AM02	360	76	0	PT
43.000		HST-GO-08655.06-A	360	(2)	0	PT
43.000		HST-GO-08663.03-A AMD2	360	1,478	0	PT
43.000		HST-GO-09357.06-A AM01	360	20,538	0	PT
43.000		HST-GO-09443.03-A	360	(784)	0	PT
43.000		HST-GO-09444.06-A AM02	360	15,713	0	PT
43.000		HST-GO-09459.06-A	360	1,538	0	PT
43.000		HST-GO-09476.01-A AM1	360	47,519	0	PT
43.000		HST-GO-09489.02-A	360	11,141	0	PT
43.000		HST-GO-09765, 02A	360	12,506	0	PT
43.000		HST-GO-09791.01-A	360	2,894	0	PT
43.000		HST-GO-09899.01-A	360	12,892	0	PT
43.000		HST-GO-10005.02-A	360	25,376	0	PT
43.000		HST-GO-10120.04-A	360	30,767	0	PT
43.000		HST-GO-10259.02-A	360	538	0	PT
43.000		HST-GO-10349.02-A	360	76	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**

**Nat'l 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
43.000	NASA, Contract Number Only Provided	HST-GO-10424.A0-A	360	824		PT
43.000		HST-HF-01143.01-A	360	12,760		PT
43.000		HST-HF-01175.01-A	360	62,970		PT
43.000		MA00211, AM05 & 6	360	53,865		PT
43.000		MA00212 AMEND 10 & 11	360	(7,808)		PT
43.000		MET2021UW	360	44,749		PT
43.000		NAG 1 01029, S03	360	14,380		
43.000		NAG 2-1514 SUPP 5	360	64,518		
43.000		NAG 5-10114 MOD#04	360	66,078		
43.000		NAG-1-03051	360	90,978		
43.000		NAG3 2879 SUP03	360	13,225		
43.000		NAG3-2517, SUPP 3	360	97,103		
43.000		NAG3-2889	360	67,656		
43.000		NAG3-2889 SUPP02	360	20,604	20,000	
43.000		NAG5 11622 SUPP0002	360	102,615		
43.000		NAG5 11679, SUP2	360	1,360		
43.000		NAG5-10570, SUPP. 0004	360	68,016		
43.000		NAG5-10624, SUP 0002	360	175,871		
43.000		NAG5-10637 SO0002	360	30,974		
43.000		NAG5-10903 S02	360	18		
43.000		NAG5-11057 SUP03	360	3,297		
43.000		NAG5-11446, S01	360	53,464		
43.000		NAG5-11542, SUPP 1	360	19,725		
43.000		NAG5-11587	360	37,022		
43.000		NAG5-11632 SUPP02	360	39,779		
43.000		NAG5-11685, SUPP 0002	360	29,955		
43.000		NAG5-11869 SUP02	360	97,267		
43.000		NAG5-11892-2	360	103,838	10,253	
43.000		NAG5-12374	360	70,588		
43.000		NAG5-12410	360	52		
43.000		NAG5-12539	360	86,792		
43.000		NAG5-12672 SUP 01	360	6,076		
43.000		NAG5-12938	360	32,796		
43.000		NAG5-12947 SUP02	360	239,052		
43.000		NAG5-12995	360	36,589		
43.000		NAG5-13111, SUPP 1	360	33,565		

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**

**Nat'l 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
43.000	NASA, Contract Number Only Provided	NAG5-13117	360	25,318		0
43.000		NAG5-13128 SUPP01	360	27,028		0
43.000		NAG5-13372	360	93,073		0
43.000		NAG5-13372 SUP3	360	16,617		0
43.000		NAG5-13473 - SUPP 1	360	26,850		0
43.000		NAG5-13564, S01	360	173,781		0
43.000		NAG5-13654, SUPP 2	360	188,275		0
43.000		NAG5-13656	360	6,250		0
43.000		NAG5-5294 MOD03	360	1,313		0
43.000		NAG5-7932, S0004	360	30,568		0
43.000		NAG5-9022 SO0006	360	2,338		0
43.000		NAG5-9657 S07	360	(120)		0
43.000		NAG5-9668 SO09	360	(741)		0
43.000		NAG5-9830 SUPPL05	360	25,351		0
43.000		NAG5-9906 S04	360	4,062		0
43.000		NAG7-99001, SUP 8	360	47,799		0
43.000		NAG8-1756 S003	360	(32)		0
43.000		NAG8-1776, SUP 03	360	1		0
43.000		NAG9-1343,S09	360	93,928		0
43.000		NAS1-18940 MOD24	360	3		0
43.000		NAS1-99105,AM14	360	89,609		0
43.000		NAS5-03075 MOD2	360	124,256		0
43.000		NAS5-31372 MOD 48	360	1,767		0
43.000		NASA-12203 S01	360	17,868		0
43.000		NCC 2-1273	360	995,715	166,262	
43.000		NCC 2-1273, SUPP 32	360	37,919		0
43.000		NCC 2-1273, SUPP 7	360	272,309		0
43.000		NCC 2-1273, SUPP 8	360	93,647		0
43.000		NCC 2-1273, SUPP 9	360	42,222		0
43.000		NCC5-584, S0005	360	34,186		0
43.000		NCC5-605 SUP3&4	360	353,679	118,896	
43.000		NCC5-689	360	173,902		0
43.000		NGT-2-52294 SUP01	360	24,017		0
43.000		NGT-2-52295 SO1	360	25,186		0
43.000		NGT2-52288, SUP01	360	916		0
43.000		NGT5-30445, SUPP 4	360	24,884		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**

**Nat'l 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
43.000	NASA, Contract Number Only Provided	NGT5-30474	360	2,711	0	
43.000		NGT5-40084 SUP11	360	445,720	140,144	
43.000		NGT5-50448	360	24,000	0	
43.000		NNA04CC60G SUPPL #3	360	309,762	0	
43.000		NNA04CC87A	360	96,572	0	
43.000		NNA04CI31G	360	49,462	0	
43.000		NNA04CK84A	360	25,050	0	
43.000		NNC04AA37A	360	81,877	0	
43.000		NNC04CA99C	360	28,642	0	PT
43.000		NNC04GA76G	360	76,739	0	
43.000		NNC04GB03G	360	73,960	0	
43.000		NNC04GB26G	360	113,406	0	
43.000		NNC05GA36G	360	1,992	0	
43.000		NNC04GA51G	360	147,778	0	
43.000		NNG-04-GQ24H	360	17,030	0	
43.000		NNG04GA65G S02	360	156,743	0	
43.000		NNG04GB03G SUPP01	360	174,807	0	
43.000		NNG04GB36G	360	94,041	0	
43.000		NNG04GD12G	360	6,625	0	
43.000		NNG04GD64G	360	116,238	0	
43.000		NNG04GF33A	360	119,828	0	
43.000		NNG04GF73G	360	15,283	0	
43.000		NNG04GG38G	360	88,176	0	
43.000		NNG04GG66G	360	6,455	0	
43.000		NNG04GH20G	360	14,561	0	
43.000		NNG04GH52G	360	242,180	0	
43.000		NNG04GJ95G	360	29,604	0	
43.000		NNG04GK42G	360	66,311	0	
43.000		NNG04GK57G	360	50,068	0	
43.000		NNG04GM23G	360	119,930	17,773	
43.000		NNG04GM69G	360	136,381	0	
43.000		NNG04GN07G	360	44,171	0	
43.000		NNG04GN70G	360	51,314	0	
43.000		NNG04GO13G	360	40,861	0	
43.000		NNG04GO75G	360	91,705	0	
43.000		NNG04GP47G	360	38,389	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Nat'l 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
43.000	NASA, Contract Number Only Provided	NNG04GP92G	360	83,824	0	
43.000		NNG04GP93G	360	877	0	
43.000		NNG04GQ51H	360	21,000	0	
43.000		NNG04GR25G	360	151,221	0	
43.000		NNG04GR38G	360	50,048	0	
43.000		NNG04HZ55C, MOD 2 & 3	360	172,775	0	
43.000		NNG05GA19G	360	188,607	0	
43.000		NNG05GB42G	360	54,969	0	
43.000		NNG05GC45G	360	6,845	0	
43.000		NNG05GE12G	360	7,521	0	
43.000		NNG05GF42H	360	74,126	0	
43.000		NNG05GG46G	360	3,093	0	
43.000		NNG05GH36G	360	8,107	0	
43.000		NNG05GH49G	360	11,882	0	
43.000		NNG05GI17G	360	2,169	0	
43.000		NNG05GJ93G	360	2,652	0	
43.000		NNGO4GN22G	360	12,796	0	
43.000		NNGO5WC22G	360	7,048	0	
43.000		NNL05AA26P	360	22,756	0	
43.000		NNM04AG61P	360	24,427	0	
43.000		NNM05AA19G	360	47,389	0	
43.000		NS033A-01 AM18	360	228,855	0	PT
43.000		PF00505 AMEND#1	360	32,827	0	PT
43.000		PO# NNJ04HA45P & MOD02	360	1,680	0	
43.000		PY-2426, AM06	360	73,145	0	PT
43.000		RF00970997/744679 MOD1	360	9,910	0	PT
43.000		S6524, MOD21	360	163,269	0	PT
43.000		SA 3872-24080, AM01	360	17,146	0	PT
43.000		SA3588	360	(1)	0	PT
43.000		SA4347-24309	360	47,899	0	PT
43.000		SMS00203, AM12	360	25,495	0	PT
43.000		SMS00203, AM09	360	10,998	0	PT
43.000		SMS00401 AM# 4	360	29,699	0	PT
43.000		SMS00401, MOD01	360	62,933	0	PT
43.000		SMS00402	360	381,401	0	PT
43.000		UW Bud# 660149	360	2,242	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**

**Nat'l 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
43.000	NASA, Contract Number Only Provided	UW Bud# 660725	360	(8)	0	PT
43.000		UW Bud# 662951	360	46,629	0	PT
43.000		Y403021, AM2	360	29,322	0	PT
43.000		Z689203 & MOD G	360	132,956	0	PT
43.000		1236947	365	64,071	0	PT
43.000		1263474	365	53,681	0	PT
43.000		CG0202	365	22,223	0	PT
43.000		CR19276414236	365	20,563	0	PT
43.000		HSTAR0874502A	365	1,127	0	PT
43.000		HSTGO0939202A	365	6,191	0	PT
43.000		NAG32378	365	35,608	0	
43.000		NAG510462	365	17,553	0	
43.000		NAG512837	365	51,252	0	
43.000		NAG512959	365	45,769	0	
43.000		NAG81693	365	108,713	0	
43.000		NAS500177	365	68,542	0	
43.000		NNC04GA53G	365	83,618	0	
43.000		NNC04GA65G	365	46,964	0	
43.000		NNG04GI40G	365	144,171	0	
43.000		NNM04AA17G	365	58,250	0	
43.000		NAG5-13728	375	61,302	0	
<b>Federal Program 43.000 Total</b>				<b>13,279,731</b>	<b>473,328</b>	
43.001	Aerospace Educatn Svcs Program	46758105333	360	10,117	0	PT
43.001			365	4,245	0	
<b>Federal Program 43.001 Total</b>				<b>14,362</b>	<b>0</b>	
43.002	Technology Transfer		245	229,972	6,855	
43.002		153-6824	360	2,969	0	PT
<b>Federal Program 43.002 Total</b>				<b>232,941</b>	<b>6,855</b>	
43.999	NASA, UNKNOWN		360	17,406	0	
<b>Federal Program 43.999 Total</b>				<b>17,406</b>	<b>0</b>	
<b>Nat'l Aeronautics &amp; Space Admin Total</b>				<b>13,544,440</b>	<b>480,183</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**National Science Foundation**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
47.000	NSF, Contract Number Only Provided	DUC0118933	699	798	0	PT
<b>Federal Program 47.000 Total</b>				<b>798</b>	<b>0</b>	
47.041	Engineering Grants		699	46,365	0	
<b>Federal Program 47.041 Total</b>				<b>46,365</b>	<b>0</b>	
47.070	Computer/Info Sci/Engineering		699	121,277	0	
<b>Federal Program 47.070 Total</b>				<b>121,277</b>	<b>0</b>	
47.074	Biological Sciences	01-SC-NSF-1007	376	50,693	0	PT
<b>Federal Program 47.074 Total</b>				<b>50,693</b>	<b>0</b>	
47.076	Educational and Human Resource		699	1,283,133	0	
<b>Federal Program 47.076 Total</b>				<b>1,283,133</b>	<b>0</b>	
<b>National Science Foundation Total</b>				<b>1,502,266</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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June 30, 2005  
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**Federal Programs Not Clustered**

**Small Business Administration**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
59.000	SBA, Contract Number Only Provided	SBA HQ-04-R-0018	377	7,500	0	PT
<b>Federal Program 59.000 Total</b>				<b>7,500</b>	<b>0</b>	
59.005	Internet-Based Technical Assistance		375	1,800	0	
<b>Federal Program 59.005 Total</b>				<b>1,800</b>	<b>0</b>	
59.037	Small Bus Devplmnt Center		365	1,758,967	250,195	
<b>Federal Program 59.037 Total</b>				<b>1,758,967</b>	<b>250,195</b>	
<b>Small Business Administration Total</b>				<b>1,768,267</b>	<b>250,195</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**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
64.000	VA, Contract Number Only Provided	663-04-034-0003	360	10,403	0	
64.000		663-42-05	360	12,260	0	
64.000		663-45-05 PLUS MOD1&2	360	41	0	
64.000		663-C30771	360	(7,994)	0	
64.000		663-C40071	360	23,206	0	
64.000		663-C40217	360	16,378	0	
64.000		663-C40730	360	5,290	0	
64.000		663-C40781	360	29,000	0	
64.000		663-C41364 SA#2	360	16,592	0	
64.000		663-C50236	360	13,307	0	
64.000		663-C50283	360	9,808	0	
64.000		663-D16089PO663-D96123	360	(8)	0	
64.000		663-D56062	360	9,360	0	
64.000		663-D56063	360	27,341	0	
64.000		663-D56064	360	42,191	0	
64.000		663-D56065	360	20,210	0	
64.000		663-D86138	360	(2,941)	0	
64.000		663/151	360	14,839	0	
64.000		663C50014	360	22,667	0	
64.000		NONE	360	68,243	0	
64.000		P.O. #663-CA0078	360	28,752	0	
64.000		P.O.#663-C40656	360	12,672	0	
64.000		P.O.663-C50337	360	22,050	0	
64.000		PO #663C50237*	360	31,208	0	
64.000		PO #C30220	360	(36)	0	
64.000		PO 663-C40038	360	4,493	0	
64.000		PO 663-C41363	360	179,019	0	
64.000		PO 663-C50226	360	542,733	0	
64.000		PO 663-C50280	360	13,478	0	
64.000		PO 663-D36084	360	2,861	0	
64.000		PO 663-D36097	360	5,092	0	
64.000		PO#663-C50278	360	105,836	0	
64.000		PO#663-C50279	360	79,866	0	
64.000		PO#663-C50288	360	49,134	0	
64.000		PO663C50283V663P599705	360	4,904	0	
64.000		POS663C30930&663C40259	360	561	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Department of Veterans Affairs**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
64.000	VA, Contract Number Only Provided	V346P-4895 (SA/#17)	360	693,735	0	
64.000		V633P-5936-05	360	317,028	0	
64.000		V6632P-5775-04	360	8,630	0	
64.000		V6639-6001-05	360	22,590	0	
64.000		V663P-5354 MOD06	360	20,076	0	
64.000		V663P-5451	360	7,934	0	
64.000		V663P-5584 MOD, SA#1	360	(4,324)	0	
64.000		V663P-5586	360	10,000	0	
64.000		V663P-5604, MA01	360	36,451	0	
64.000		V663P-5710 S/A #3	360	30,595	0	
64.000		V663P-5711 S/A 1	360	90,898	0	
64.000		V663P-5711 S/A 2	360	30,299	0	
64.000		V663P-5741-03	360	7,464	0	
64.000		V663P-5783-04	360	139,963	0	
64.000		V663P-5784-04	360	107,379	0	
64.000		V663P-5785-03	360	143,217	0	
64.000		V663P-5786-04 MOD02	360	65,778	0	
64.000		V663P-5787-04	360	122,202	0	
64.000		V663P-5801-01	360	10,668	0	
64.000		V663P-5801-04	360	24,849	0	
64.000		V663P-5823-03	360	12,579	0	
64.000		V663P-5853,PO663-C4038	360	29,999	0	
64.000		V663P-5875-04	360	59,066	0	
64.000		V663P-5889-04	360	56,264	0	
64.000		V663P-5890-05	360	22,423	0	
64.000		V663P-5910-04	360	34,604	0	
64.000		V663P-5937-05	360	468,861	0	
64.000		V663P-5956-05 MOD SA-1	360	15,055	0	
64.000		V663P-5965-05	360	11,882	0	
64.000		V663P-5970-05	360	68,573	0	
64.000		V663P-5973-05	360	10,830	0	
64.000		V663P-5978-05	360	33,838	0	
64.000		V663P-5998 O663-D56103	360	7,404	0	
64.000		V663P-6011, 663-D56109	360	2,451	0	
64.000		V663P5775	360	47,723	0	
64.000		V66P-5787-04	360	39,167	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Department of Veterans Affairs**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 64.000 Total</b>				<b>4,218,967</b>	<b>0</b>	
64.005	Grnt-St Home Facility Constrctn		305	12,571,537	0	
<b>Federal Program 64.005 Total</b>				<b>12,571,537</b>	<b>0</b>	
64.012	Veterans Prescription Service		305	471,403	0	
<b>Federal Program 64.012 Total</b>				<b>471,403</b>	<b>0</b>	
64.014	Vets State Domicillary Care		305	321,862	0	
<b>Federal Program 64.014 Total</b>				<b>321,862</b>	<b>0</b>	
64.015	Vets State Nursing Home Care		305	10,280,387	0	
<b>Federal Program 64.015 Total</b>				<b>10,280,387</b>	<b>0</b>	
64.016	Veterans State Hospital Care		699	1,133	0	
<b>Federal Program 64.016 Total</b>				<b>1,133</b>	<b>0</b>	
64.101	Burial Expense Allowance Vets		305	(4,800)	0	
<b>Federal Program 64.101 Total</b>				<b>(4,800)</b>	<b>0</b>	
64.110	Vet Dependncy/Indemnty Comp		699	1,612	0	
<b>Federal Program 64.110 Total</b>				<b>1,612</b>	<b>0</b>	
64.116	Voc Rehab for Disabled Veteran		376	66,972	0	
<b>Federal Program 64.116 Total</b>				<b>66,972</b>	<b>0</b>	
64.124	All-Volunteer Force Ed Asst		343	255,025	0	
64.124			354	137,636	0	
64.124			699	870	0	
<b>Federal Program 64.124 Total</b>				<b>393,531</b>	<b>0</b>	
64.999	VA, UNKNOWN		360	1,838,930	0	
64.999			699	16,346	0	
<b>Federal Program 64.999 Total</b>				<b>1,855,276</b>	<b>0</b>	
<b>Department of Veterans Affairs Total</b>				<b>30,177,880</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Environmental Protection Agy**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
66.000	EPA, Contract Number Only Provided	2EB055QT-OH03000283A01	360	(3,957)		0
66.000		3W-0017-NATX	360	3,485		0
66.000		BF-97093801-0	360	6,538		0
66.000		C301	360	36,922		0 PT
66.000		FP-91639901-1	360	29,416		0
66.000		IAC 2000202 AM01	360	(275)		0 PT
66.000		OW-0314-NAEX AM01	360	1,054		0
66.000		P.O 231332	360	25,800		0 PT
66.000		U-91576301-3	360	1,017		0
66.000		U-91580501,AMD 2	360	7,921		0
66.000		U-91594601-2	360	1,799		0
66.000		U-91600401-0	360	3,078		0
66.000		U-91614201-01,02	360	13,437		0
66.000		U-91624401-1	360	32,761		0
66.000		USM-GR01079-A10 AM #5	360	61,669		0 PT
66.000		03090047118	365	33,653		0 PT
66.000		0317000727920024	365	659		0 PT
66.000		0317000729120034	365	15,659		0 PT
66.000		0317000729120035	365	25,527		0 PT
66.000		0317000729120036	365	14,883		0 PT
66.000		C0026	365	(15,061)		0 PT
66.000		C217	365	(1,486)		0 PT
66.000		C298	365	1,550		0 PT
66.000		HC493900	365	11,450		0 PT
66.000		REGION10200403	365	190		0 PT
66.000		REGION10200404	365	47,746		0 PT
66.000		REGION10200406	365	35,551		0 PT
66.000		WSU000007	365	(145)		0 PT
66.000		WSU000141	365	(271)		0 PT
66.000		WSU000144	365	2,902		0 PT
66.000		WSU000153	365	53,984		0 PT
66.000		66.470	461	14,118	14,118	
<b>Federal Program 66.000 Total</b>				<b>461,574</b>	<b>14,118</b>	
66.001	Air Pollution Contrl Pgm Spt	C431	365	23,701		0 PT
<b>Federal Program 66.001 Total</b>				<b>23,701</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Environmental Protection Agency**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
66.032	State Indoor Radon Grants		303	17,870	0	
<b>Federal Program 66.032 Total</b>				<b>17,870</b>	<b>0</b>	
66.034	Srvys, Studis, Investgtns, Demos-Relatng to Cln Air Act		303	23,001	22,750	
66.034			365	107,851	0	
66.034			461	1,214,673	450,327	
<b>Federal Program 66.034 Total</b>				<b>1,345,525</b>	<b>473,077</b>	
66.418	Construction Grnts for Wastewater Treatmnt Works		461	153,681	0	
<b>Federal Program 66.418 Total</b>				<b>153,681</b>	<b>0</b>	
66.419	Water Pollution Contrl-State &		303	240,606	0	
66.419		536452	370	5,000	0	PT
<b>Federal Program 66.419 Total</b>				<b>245,606</b>	<b>0</b>	
66.432	Public Water System Supervisin		303	2,678,056	0	
<b>Federal Program 66.432 Total</b>				<b>2,678,056</b>	<b>0</b>	
66.454	Water Quality Mgmt Planning		461	174,914	0	
<b>Federal Program 66.454 Total</b>				<b>174,914</b>	<b>0</b>	
66.456	National Estuary Program		075	1,033,716	0	
<b>Federal Program 66.456 Total</b>				<b>1,033,716</b>	<b>0</b>	
66.458	Captlzn Grnts for Clean Water State Revolving Funds		461	22,179,915	21,341,827	
<b>Federal Program 66.458 Total</b>				<b>22,179,915</b>	<b>21,341,827</b>	
66.460	Nonpoint Source Implementation		461	4,155,404	2,284,224	
<b>Federal Program 66.460 Total</b>				<b>4,155,404</b>	<b>2,284,224</b>	
66.461	Regional Wetland Program Development Grants		461	98,351	0	
66.461			465	21,000	0	
<b>Federal Program 66.461 Total</b>				<b>119,351</b>	<b>0</b>	
66.463	Water Quality Cooperative Agreements		303	6,645	0	
66.463			461	173,692	0	
<b>Federal Program 66.463 Total</b>				<b>180,337</b>	<b>0</b>	
66.467	Wastewtr Operatr Trng Grnt Prog (Tech Assist)		461	54,273	0	
<b>Federal Program 66.467 Total</b>				<b>54,273</b>	<b>0</b>	
66.468	Capitalization Grnts for Drinking Water St Revolv		303	22,420,753	17,336,029	

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 Year Ended  
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**Federal Programs Not Clustered**

**Environmental Protection Agy**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
<b>Federal Program 66.468 Total</b>				<b>22,420,753</b>	<b>17,336,029</b>	
66.469	Great Lakes Program	K043440	360	27,885	0	PT
<b>Federal Program 66.469 Total</b>				<b>27,885</b>	<b>0</b>	
66.471	St Grnts to Reimbrse Operatrs of Sml Water Sysms		303	666,071	0	
<b>Federal Program 66.471 Total</b>				<b>666,071</b>	<b>0</b>	
66.472	Beach Monitrng & Notification Progm Implmntn Grnts		461	273,129	178,475	
<b>Federal Program 66.472 Total</b>				<b>273,129</b>	<b>178,475</b>	
66.474	Water Protection Grants to the States		303	190,850	0	
<b>Federal Program 66.474 Total</b>				<b>190,850</b>	<b>0</b>	
66.514	Science to Achieve Results (STAR) Program		360	73,984	0	
<b>Federal Program 66.514 Total</b>				<b>73,984</b>	<b>0</b>	
66.516	P3 Award: Natl Student Design Competition for Sustainability		376	3,081	0	
<b>Federal Program 66.516 Total</b>				<b>3,081</b>	<b>0</b>	
66.605	Performance Partnership Grnts		461	9,079,726	2,637,354	
<b>Federal Program 66.605 Total</b>				<b>9,079,726</b>	<b>2,637,354</b>	
66.606	Surveys, Studies & Specl Purpose Grnts		103	346,325	23,429	
66.606			360	215	0	
66.606		GC072-04-Z3518	360	9,572	0	PT
66.606		GC073-04-Z3518	360	45,612	0	PT
66.606			365	41,729	4,684	
66.606		129G106100	365	73,730	0	PT
66.606			461	41,571	0	
<b>Federal Program 66.606 Total</b>				<b>558,754</b>	<b>28,113</b>	
66.607	Training & Fellowships for the EPA		365	32,445	0	
<b>Federal Program 66.607 Total</b>				<b>32,445</b>	<b>0</b>	
66.608	Envirnmtl Info Exchnge Network Grant Prog		461	391,017	0	
<b>Federal Program 66.608 Total</b>				<b>391,017</b>	<b>0</b>	
66.610	Surveys,Studies,Investigtins& Special Purpose Grnts		461	13,885	13,019	
<b>Federal Program 66.610 Total</b>				<b>13,885</b>	<b>13,019</b>	
66.700	Consolidated Pesticide Enforcement Coop Agreeemnts		495	582,152	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 Year Ended  
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(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Environmental Protection Agy**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
<b>Federal Program 66.700 Total</b>				<b>582,152</b>	<b>0</b>	
66.707	TSCA Title IV St Lead Grnts Certif of L B Paint Professionals		360	1,498	0	
<b>Federal Program 66.707 Total</b>				<b>1,498</b>	<b>0</b>	
66.708	Pollution Prevention Grnts		461	237,986	1,156	
<b>Federal Program 66.708 Total</b>				<b>237,986</b>	<b>1,156</b>	
66.709	Multi-Media Capacity Building Grants - States/Tribes		461	36,967	0	
<b>Federal Program 66.709 Total</b>				<b>36,967</b>	<b>0</b>	
66.714	Pesticide Environmentl Stewarship Regl Grnts		365	16,288	0	
<b>Federal Program 66.714 Total</b>				<b>16,288</b>	<b>0</b>	
66.717	Source Reduction Assistance		461	616	0	
<b>Federal Program 66.717 Total</b>				<b>616</b>	<b>0</b>	
66.801	Hazardous Waste Mgmt St Pgm		461	1,918,000	0	
<b>Federal Program 66.801 Total</b>				<b>1,918,000</b>	<b>0</b>	
66.802	Sprfund State Site_Specific Coop Agreements_		303	54,678	0	
66.802			461	163,787	0	
<b>Federal Program 66.802 Total</b>				<b>218,465</b>	<b>0</b>	
66.804	State & Tribal Underground Storage Tanks Pgm		461	94,933	0	
<b>Federal Program 66.804 Total</b>				<b>94,933</b>	<b>0</b>	
66.805	Leaking Underground Storage Tank Trust Fund		461	1,181,488	123,300	
<b>Federal Program 66.805 Total</b>				<b>1,181,488</b>	<b>123,300</b>	
66.808	Solid Waste Management Assist		461	4,720	0	
<b>Federal Program 66.808 Total</b>				<b>4,720</b>	<b>0</b>	
66.809	Superfund St & Indian Tribe Core Progm Coop Agreements		461	190,000	0	
<b>Federal Program 66.809 Total</b>				<b>190,000</b>	<b>0</b>	
66.811	Brownfield Pilots Cooperative Agreements		103	91,653	19,959	
<b>Federal Program 66.811 Total</b>				<b>91,653</b>	<b>19,959</b>	
66.813	Alternative/Innovative Treatmnt Techngy Resrch etc		360	6,153	0	
<b>Federal Program 66.813 Total</b>				<b>6,153</b>	<b>0</b>	
66.817	State & Tribal Response Program Grants		461	1,459,074	207,833	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Environmental Protection Agy**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 66.817 Total</b>				<b>1,459,074</b>	<b>207,833</b>	
66,951	Environmental Education Grants	WSU000161	365	42,355	0	PT
<b>Federal Program 66.951 Total</b>				<b>42,355</b>	<b>0</b>	
<b>Environmental Protection Agy Total</b>				<b>72,637,851</b>	<b>44,658,484</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
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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
81.000	Energy, Contract Number Only Provided	00000156-00002	360	(30)	0	
81.000		000005396 AM007	360	44,931	0	
81.000		00004124, AM01	360	97,275	0	
81.000		0000X-SC-G0517	360	85,519	0	PT
81.000		00012494 MOD 3	360	168,498	0	
81.000		00013690 MOD 003	360	172,297	0	
81.000		00013690 MOD02	360	179,930	0	
81.000		00015990	360	126,590	0	
81.000		00017513	360	129,453	0	
81.000		00019611	360	48,667	15,020	
81.000		00020638	360	295,006	0	
81.000		020318	360	192,442	0	
81.000		04-2005	360	11,828	0	PT
81.000		07130401	360	14,895	0	PT
81.000		12494 MOD01	360	133,351	0	
81.000		130142, AMEND 3	360	28,436	0	PT
81.000		13996-2000UW01 AMEND 3	360	(666)	0	PT
81.000		1540	360	11,371	0	PT
81.000		15990	360	139,007	0	
81.000		16330	360	33,673	0	PT
81.000		18-2004	360	15,092	0	PT
81.000		184630 (MOD#4)	360	85,900	0	PT
81.000		3396-11405 MOD 02	360	22,836	0	PT
81.000		374606	360	28,972	0	PT
81.000		551-8930, MOD02	360	45,110	0	PT
81.000		6630 T.O. #11457 MOD01	360	20,170	0	PT
81.000		6630,TO14622	360	26,927	0	PT
81.000		6700882, MOD06	360	387,064	0	PT
81.000		7010001104 MOD02	360	63,742	0	PT
81.000		75936	360	1,260	0	PT
81.000		87125	360	81,899	0	PT
81.000		96386	360	30,306	0	PT
81.000		9675	360	21,923	0	PT
81.000		AM08	360	42,822	0	PT
81.000		B505882 MOD07	360	35,111	0	PT
81.000		B541344	360	36,164	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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**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
81.000	Energy, Contract Number Only Provided	D97ER40679 AM13	360	45,562	0	PT
81.000		DE FG 02- 04ER46102	360	99,650	0	
81.000		DE FG03 02ER63471 AM03	360	3,566	0	
81.000		DE-FC02-96SF21258,A016	360	273,034	0	
81.000		DE-FC02-96SF21258AMA16	360	166,202	0	
81.000		DE-FC03-96SF21258	360	212,111	0	
81.000		DE-FC03-96SF21258AMA16	360	45,082	0	
81.000		DE-FC26-02NT41566 MOD3	360	212,019	0	
81.000		DE-FG-02-04ER54753	360	82,886	0	
81.000		DE-FG26-03NT41808	360	71,910	0	
81.000		DEFC3605GO15057	360	44,024	0	
81.000		MASTER AGR 6630TO14172	360	44,394	0	PT
81.000		MASTERAGRMT6630TO10314	360	10,714	0	PT
81.000		P.O. 0000046359, MOD01	360	15,451	0	PT
81.000		PO #10205818-001	360	(1,114)	0	PT
81.000		S9140	360	23,121	0	PT
81.000		UW Bud# 667725	360	41,239	0	PT
81.000		UW Bud# 669740	360	35,984	0	PT
81.000		00006184	365	274,713	0	
81.000		00007525	365	7,357	0	
81.000		00008865	365	18,993	0	
81.000		0000XSCG0516	365	29,457	0	PT
81.000		00014002	365	1,134,239	0	PT
81.000		00016832	365	44,645	0	
81.000		00017803	365	34,043	0	
81.000		00020667	365	2,380	0	
81.000		0719500104	365	3,397	0	PT
81.000		327422AN4	365	583,087	0	PT
81.000		366	365	(5,416)	0	PT
81.000		4000008068	365	188	0	PT
81.000		4000031344	365	46,453	0	PT
81.000		6490426	365	27,682	0	PT
81.000		6633	365	450,265	0	PT
81.000		663341771233	365	4,441	0	PT
81.000		6714726	365	20,000	0	PT
81.000		6794	365	37,628	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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June 30, 2005  
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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
81.000	Energy, Contract Number Only Provided	9781	365	23,674	0	PT
81.000		A0368	365	103,880	0	PT
81.000		A0368 DOC#28313	365	10,284	0	PT
81.000		ASP234	365	472,620	0	PT
81.000		AW9379	365	34,614	0	PT
81.000		B530385	365	(505)	0	PT
81.000		B533222	365	83,278	0	PT
81.000		B538882	365	15,404	0	PT
81.000		B548970	365	1,188	0	PT
81.000		CT2004002	365	(36)	0	PT
81.000		DEAC5199R021066	365	(872)	0	
81.000		DEFC5104R029114	365	12,763	2,195	
81.000		DEFG0101NE23053	365	14,003	0	
81.000		DEFG0203ER15481	365	90,291	0	
81.000		DEFG0204ER15559	365	156,750	0	
81.000		DEFG0204ER63727	365	304,854	0	
81.000		DEFG0204ER63801	365	23,938	0	
81.000		DEFG0204ER63924	365	166,419	0	
81.000		DEFG0205ER64030	365	4,264	0	
81.000		DEFG0299ER20323	365	31,165	0	
81.000		DEFG5104RO21552	365	45,267	0	
81.000		DWRCON00483	365	182	0	PT
81.000		GUAR24520706	365	107,191	0	
81.000		GUAR24520712	365	14,497	0	
81.000		GUAR24520713	365	31,960	0	
81.000		GUAR30376119	365	7,130	0	
81.000		GUAR38255134	365	3,160	0	PT
81.000		GUAR41771209	365	309	0	PT
81.000		GUAR41771211	365	(870)	0	PT
81.000		M234	365	124,239	0	PT
81.000		M234 (SSRI)	365	66,624	0	PT
81.000		M234(SSRI)	365	230,280	0	PT
81.000		PORL4027	365	101,324	0	PT
81.000		Q00690	365	4,553	0	PT
81.000		S1601AWSU	365	1,155,409	0	PT
81.000		WSU000135	365	96,769	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of 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
81.000	Energy, Contract Number Only Provided	WSU000154	365	2	0	PT
81.000		WSU000160	365	28,789	0	PT
81.000		WSU000170	365	27,749	0	PT
81.000		WSU000174	365	18,428	0	PT
81.000		WSU000175	365	34,873	0	PT
81.000		WSU000177	365	6,573	0	PT
81.000		WSU000178	365	85,710	0	PT
81.000		WSU000179	365	39,586	0	PT
81.000		WSU000180	365	2,417	0	PT
81.000		XAA23149002	365	17,149	0	PT
81.000		B533444	375	3,250	0	PT
81.000		00000384	477	1,130,725	0	
81.000		00004131	477	155,718	0	
81.000		00004276	477	43,745	0	
81.000		00004285	477	70,532	0	
81.000		00004394	477	129,299	0	
81.000		00005175	477	44,092	0	
81.000		00005850	477	111,454	0	
81.000		00005860	477	112,102	0	
81.000		00006215	477	30,688	0	
81.000		00006320	477	47,651	0	
81.000		00006502	477	115,889	0	
81.000		00007636	477	20,626	0	
81.000		00012207	477	9,111	0	
81.000		00014978	477	77,901	0	
81.000		00015101	477	1,251	0	
81.000		00016376	477	188,196	0	
81.000		00016399	477	41,807	0	
81.000		00016501	477	129,333	0	
81.000		00016701	477	168,093	0	
81.000		00017447	477	136,319	0	
81.000		00017463	477	145,808	0	
81.000		00017478	477	986,679	0	
81.000		00017574	477	101,172	0	
81.000		00017610	477	47,658	0	
81.000		00017780	477	126,182	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)*

**Federal Programs Not Clustered**

**Dept of Energy**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
81.000	Energy, Contract Number Only Provided	00017838	477	19,143	0	
81.000		00017918	477	7,414	0	
81.000		00018229	477	175,939	0	
81.000		00018519	477	280,791	0	
81.000		00018762	477	10,604	0	
81.000		00018827	477	153,723	0	
81.000		00019241	477	38,831	0	
81.000		00019617	477	91,112	0	
81.000		00019746	477	184,735	0	
81.000		00019754	477	83,545	0	
81.000		00019788	477	40,783	0	
81.000		00019816	477	70,526	0	
81.000		00019956	477	65,863	0	
81.000		00020037	477	200,874	0	
81.000		00020307	477	481,292	0	
81.000		00020941	477	119,591	0	
81.000		00020951	477	18,862	0	
81.000		00021391	477	139,181	0	
81.000		00021494	477	64,285	0	
81.000		00021599	477	45,148	0	
81.000		00021698	477	47,187	0	
81.000		00022370	477	112,490	0	
81.000		00022537	477	83,320	0	
81.000		00022543	477	24,763	0	
81.000		00022595	477	21,780	0	
81.000		00022720	477	14,969	0	
81.000		01-4278-S-Fish	477	321,107	0	PT
81.000		04-51	477	116,916	0	PT
81.000		04-52	477	23,033	0	PT
81.000		04-61	477	46,809	0	PT
81.000		04-71	477	51,711	0	PT
81.000		04-75	477	28,934	0	PT
81.000		04-84	477	558,811	0	PT
81.000		04-90	477	49,970	0	PT
81.000		04-95	477	14,254	0	PT
81.000		05-101	477	5,571	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 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
81.000	Energy, Contract Number Only Provided	05-102	477	123,627	0	PT
81.000		05-105	477	16,314	0	PT
81.000		05-106	477	18,728	0	PT
81.000		05-113	477	193,135	0	PT
81.000		05-56	477	219,876	0	PT
81.000		05-64	477	74,799	0	PT
81.000		05-93	477	34,508	0	PT
81.000		1-0336S	477	101,886	0	PT
<b>Federal Program 81.000 Total</b>				<b>19,566,455</b>	<b>17,215</b>	
81.041	State Energy Program		365	134,904	0	
<b>Federal Program 81.041 Total</b>				<b>134,904</b>	<b>0</b>	
81.042	Weatherization Assist-Low Inc		103	6,418,921	5,740,309	
<b>Federal Program 81.042 Total</b>				<b>6,418,921</b>	<b>5,740,309</b>	
81.079	Regional Biomass Energy Pgms		365	59,874	0	
<b>Federal Program 81.079 Total</b>				<b>59,874</b>	<b>0</b>	
81.092	Enviromental Restoration		245	773,845	614,900	
81.092			303	675,907	0	
81.092			461	2,300,191	293,147	
<b>Federal Program 81.092 Total</b>				<b>3,749,943</b>	<b>908,047</b>	
81.105	Natl Ind Comp Engy, Env & Econ		365	44,461	38,815	
<b>Federal Program 81.105 Total</b>				<b>44,461</b>	<b>38,815</b>	
81.106	States and Tribal Concerns, Proposed Solutions	C040883FED	225	104,170	0	PT
<b>Federal Program 81.106 Total</b>				<b>104,170</b>	<b>0</b>	
81.108	Epidemiology & Other Health Studies Fin Asst Progs		365	1,229,589	11,318	
<b>Federal Program 81.108 Total</b>				<b>1,229,589</b>	<b>11,318</b>	
81.114	University Reactor Infrastructure & Educ Support		365	49,977	0	
<b>Federal Program 81.114 Total</b>				<b>49,977</b>	<b>0</b>	
81.117	Energy Efficiency & Renewable Energy Info		103	43,796	11,000	
81.117			365	173,464	47,768	
<b>Federal Program 81.117 Total</b>				<b>217,260</b>	<b>58,768</b>	
81.119	State Energy Program Special Projects		103	1,426,316	22,788	

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 Energy**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 81.119 Total</b>				<b>1,426,316</b>	<b>22,788</b>	
81.999	DOE, UNKNOWN		370	33,608	0	
81.999		None	370	92,908	0	PT
81.999		None	477	695,697	0	PT
<b>Federal Program 81.999 Total</b>				<b>822,213</b>	<b>0</b>	
<b>Dept of Energy Total</b>				<b>33,824,083</b>	<b>6,797,260</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
84.000	Educ, Contract Number Only Provided	070153 AM 03	360	45,015	0	PT
84.000		070153 AM02	360	27,762	0	PT
84.000		070153, AMEND 1	360	2,306	0	PT
84.000		4099	360	22,540	0	PT
84.000		4099 MOD03	360	306,863	0	PT
84.000		92-WA03	360	27,844	0	PT
84.000		92-WA03-AMEND 18	360	31,335	0	PT
84.000		CDS-THE U OF WASH AM02	360	12,712	0	PT
84.000		H133G020182	360	(395)	0	PT
84.000		P.O. 6821	360	(284)	0	PT
84.000		PD-02-0205-014	360	91,112	0	PT
84.000		S.U. #3572350 MOD03	360	241,355	0	PT
84.000		S05-04	360	1,624	0	PT
84.000		UW Bud# 668282	360	31,101	0	PT
84.000		UW Bud# 668585	360	31,688	0	PT
84.000		UW Bud# 669361	360	149,611	0	PT
84.000		UW Bud# 669520	360	12,210	0	PT
84.000		UW Bud# 802414	360	7,559	0	PT
84.000		GUAR24972000	365	1,325	0	
84.000		92-WA02	375	33,166	0	PT
84.000		DA03-7473	699	300,927	0	PT
<b>Federal Program 84.000 Total</b>				<b>1,377,376</b>	<b>0</b>	
84.002	Adult Education - State Grant Program		699	9,223,193	689,236	
<b>Federal Program 84.002 Total</b>				<b>9,223,193</b>	<b>689,236</b>	
84.010	Title 1 Grants to Local Ed Agys		350	164,924,104	161,391,416	
84.010		0405-05	699	2,235	0	PT
<b>Federal Program 84.010 Total</b>				<b>164,926,339</b>	<b>161,391,416</b>	
84.011	Migrant Education - State Grant Program		350	15,850,513	13,156,248	
<b>Federal Program 84.011 Total</b>				<b>15,850,513</b>	<b>13,156,248</b>	
84.013	Neglected & Delinquent Child		350	750,914	742,014	
<b>Federal Program 84.013 Total</b>				<b>750,914</b>	<b>742,014</b>	
84.015	Fellowships-Lang & Int'l Study		360	3,123,525	125,662	
<b>Federal Program 84.015 Total</b>				<b>3,123,525</b>	<b>125,662</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
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**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
84.016	Undrgrad Intl Studies/Languag		360	60,054	0	
84.016			699	85,886	0	
<b>Federal Program 84.016 Total</b>				<b>145,940</b>	<b>0</b>	
84.018	Overseas Seminars Abroad-Bilateral Projts	UW Bud# 669703	360	9,090	0	PT
<b>Federal Program 84.018 Total</b>				<b>9,090</b>	<b>0</b>	
84.021	Overseas-Group Projects Abroad		360	48,689	0	
84.021			375	24,426	0	
84.021			699	74,851	0	
<b>Federal Program 84.021 Total</b>				<b>147,966</b>	<b>0</b>	
84.031	Higher Ed - Institutional Aid		370	337,707	0	
84.031			699	3,716,584	0	
<b>Federal Program 84.031 Total</b>				<b>4,054,291</b>	<b>0</b>	
84.037	Perkins Loan Cancellations		699	246	0	
<b>Federal Program 84.037 Total</b>				<b>246</b>	<b>0</b>	
84.048	Voc Ed -Basic Grants to States		354	23,544,433	0	
<b>Federal Program 84.048 Total</b>				<b>23,544,433</b>	<b>0</b>	
84.069	Leveraging Educational Assistance Partnership		343	1,878,020	1,878,020	
<b>Federal Program 84.069 Total</b>				<b>1,878,020</b>	<b>1,878,020</b>	
84.101	Voc Educ-Indians Set-aside	V101A010017-03A	699	257,045	0	PT
<b>Federal Program 84.101 Total</b>				<b>257,045</b>	<b>0</b>	
84.103	TRIO Staff Training Program		360	613,459	0	
<b>Federal Program 84.103 Total</b>				<b>613,459</b>	<b>0</b>	
84.116	Fund - Improv Postsecondary Ed		350	92,708	0	
84.116			360	36,990	0	
84.116		2387-UW-USDE-0029	360	28,348	0	PT
84.116		F5237.01 AMA02	360	10,345	0	PT
84.116		FY03.137.006, AM02	360	1,347	0	PT
84.116		SA0509155	360	1,974	0	PT
84.116			365	48,372	0	
84.116			370	65,371	0	
84.116		26459	375	6,309	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 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
84.116	Fund - Improv Postsecondary Ed		376	41,637	0	
84.116		P116B020007	376	20,661	0	PT
84.116		P713108	380	9,117	0	PT
84.116			699	1,039,890	0	
84.116		050100070	699	14,222	0	PT
<b>Federal Program 84.116 Total</b>				<b>1,417,291</b>	<b>0</b>	
84.126	Rehabilitation Services- Basic		300	36,963,766	0	
84.126			315	6,392,737	0	
84.126		Local	540	(370)	0	PT
<b>Federal Program 84.126 Total</b>				<b>43,356,133</b>	<b>0</b>	
84.129	Rehabilitation Long -Term Trng		360	168,450	5,705	
84.129			380	187,378	0	
<b>Federal Program 84.129 Total</b>				<b>355,828</b>	<b>5,705</b>	
84.141	Migrant Ed - High School Equiv		365	472,506	0	
84.141			375	421,381	0	
84.141			699	408,921	0	
<b>Federal Program 84.141 Total</b>				<b>1,302,808</b>	<b>0</b>	
84.149	Migrant Ed-College Assist Pgm		370	278,948	0	
84.149			375	420,788	0	
84.149			699	444,718	0	
<b>Federal Program 84.149 Total</b>				<b>1,144,454</b>	<b>0</b>	
84.169	Independent Living-State Grant		300	327,068	0	
84.169			315	56,868	0	
<b>Federal Program 84.169 Total</b>				<b>383,936</b>	<b>0</b>	
84.177	Indepndnt Livg-Oldr Blind Prsn		315	746,491	0	
<b>Federal Program 84.177 Total</b>				<b>746,491</b>	<b>0</b>	
84.181	Spec Ed-Infants & Families w Disabil		300	8,273,404	0	
<b>Federal Program 84.181 Total</b>				<b>8,273,404</b>	<b>0</b>	
84.184	Safe & Drug-Free Schls & Communit-Natl Prg		350	869,664	561,475	
<b>Federal Program 84.184 Total</b>				<b>869,664</b>	<b>561,475</b>	
84.185	Byrd Honors Scholarships		350	1,013,500	1,013,500	

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 Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 84.185 Total</b>				<b>1,013,500</b>	<b>1,013,500</b>	
84.186	Safe & Drug-Free Schls & Communitis-St Grnts		103	1,449,347	1,408,206	
84.186			350	5,740,868	5,339,764	
<b>Federal Program 84.186 Total</b>				<b>7,190,215</b>	<b>6,747,970</b>	
84.187	Employment Svs-Severe Disab		300	627,379	0	
84.187			315	89,161	0	
<b>Federal Program 84.187 Total</b>				<b>716,540</b>	<b>0</b>	
84.195	Bilingual Ed - Professional Education		360	374,398	0	
84.195			365	462,424	0	
84.195			370	266,944	35,829	
84.195			375	184,623	0	
84.195			699	179,379	0	
<b>Federal Program 84.195 Total</b>				<b>1,467,768</b>	<b>35,829</b>	
84.196	Ed for Homeless Children/Youth		350	711,942	547,903	
<b>Federal Program 84.196 Total</b>				<b>711,942</b>	<b>547,903</b>	
84.203	Star Schools Program	R203F990010-04	300	13,685	0	PT
84.203		26614G15	699	43	0	PT
<b>Federal Program 84.203 Total</b>				<b>13,728</b>	<b>0</b>	
84.213	Even Start-State Ed Agencies		350	2,980,033	2,770,654	
84.213		0304-73	699	13,116	0	PT
84.213		0405-01	699	116,879	0	PT
84.213		51-02-2X-XXX-00	699	162,721	0	PT
<b>Federal Program 84.213 Total</b>				<b>3,272,749</b>	<b>2,770,654</b>	
84.214	Even Start-Migrant Education		699	970,222	0	
<b>Federal Program 84.214 Total</b>				<b>970,222</b>	<b>0</b>	
84.215	Fund for Improv of Educ		350	176,099	0	
84.215		03266	365	15,618	0	PT
84.215		03267	365	19,462	0	PT
84.215		536456	370	16,386	0	PT
84.215		536725,6,7,47,51	370	208,970	0	PT
<b>Federal Program 84.215 Total</b>				<b>436,535</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington  
 Schedule of Expenditures of Federal Awards

For the Year Ended  
 June 30, 2005  
 (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
84.224	Assistive Technology		103	(1,992)	(6,432)	
84.224			360	483,089	79,530	
<b>Federal Program 84.224 Total</b>				<b>481,097</b>	<b>73,098</b>	
84.234	Projects with Industry	H234Q020222-01	699	47,027	0	PT
<b>Federal Program 84.234 Total</b>				<b>47,027</b>	<b>0</b>	
84.235	Rehabilitation Srvs Demonstn & Trng Programs		103	(1,333)	(6,432)	
84.235			380	276,613	0	
<b>Federal Program 84.235 Total</b>				<b>275,280</b>	<b>(6,432)</b>	
84.243	Tech-Prep Education		354	1,982,533	0	
<b>Federal Program 84.243 Total</b>				<b>1,982,533</b>	<b>0</b>	
84.264	Rehab Training-Continuing Educ		380	1,058,205	0	
<b>Federal Program 84.264 Total</b>				<b>1,058,205</b>	<b>0</b>	
84.265	Rehab Training-St Voc Rehab Unit In-Service Train		300	90,713	0	
84.265			315	24,472	0	
<b>Federal Program 84.265 Total</b>				<b>115,185</b>	<b>0</b>	
84.287	21st Century Community Learning Ctrs		350	10,534,765	9,840,255	
84.287		UW Bud# 670485	360	(476)	0	PT
84.287		AFSONGWSU	365	6,423	0	PT
84.287		WSU000152	365	1,168	0	PT
84.287		536670	370	27,731	0	PT
<b>Federal Program 84.287 Total</b>				<b>10,569,611</b>	<b>9,840,255</b>	
84.295	Ready-To-Learn Television	WSU000147	365	3,358	0	PT
84.295		WSU000165	365	23,010	0	PT
<b>Federal Program 84.295 Total</b>				<b>26,368</b>	<b>0</b>	
84.298	Innovative Education Prog Strategies		350	7,193,646	6,154,205	
<b>Federal Program 84.298 Total</b>				<b>7,193,646</b>	<b>6,154,205</b>	
84.299	Indian Education-Special Programs		380	173,670	0	
84.299		111-2M32	699	43,500	0	PT
<b>Federal Program 84.299 Total</b>				<b>217,170</b>	<b>0</b>	
84.315	Capacity Bldg for Tradit. Underserved Popl.		380	251,340	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 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
<b>Federal Program 84.315 Total</b>				<b>251,340</b>	<b>0</b>	
84.318	Education Technology State Grants		350	8,473,155	7,474,181	
<b>Federal Program 84.318 Total</b>				<b>8,473,155</b>	<b>7,474,181</b>	
84.323	Special Education-State Personnel Development		350	1,021,457	576,618	
<b>Federal Program 84.323 Total</b>				<b>1,021,457</b>	<b>576,618</b>	
84.325	Spec Educ-Persnl Prep to Improv Svs to Disabl Chi		360	1,943,051	509,292	
84.325		222471E AM01	360	7,444	0	PT
<b>Federal Program 84.325 Total</b>				<b>1,950,495</b>	<b>509,292</b>	
84.326	Spec Educ-Tech Assist to Improv Svs to Disabl Chil		350	197,896	197,895	
<b>Federal Program 84.326 Total</b>				<b>197,896</b>	<b>197,895</b>	
84.327	Spec Educ-Technology & Media Svs for Disabl Childr		370	83,710	49,788	
<b>Federal Program 84.327 Total</b>				<b>83,710</b>	<b>49,788</b>	
84.330	Advanced Placement Program		350	954,231	671,562	
<b>Federal Program 84.330 Total</b>				<b>954,231</b>	<b>671,562</b>	
84.331	Grnts to States for Incarcerated Youth Offenders		699	211,737	0	
<b>Federal Program 84.331 Total</b>				<b>211,737</b>	<b>0</b>	
84.332	Comprehensive School Reform Demonstration		350	4,186,874	3,892,172	
<b>Federal Program 84.332 Total</b>				<b>4,186,874</b>	<b>3,892,172</b>	
84.333	Demo Projts to Ensure Stdnts w/Disablts Rec Hi Ed		360	282,158	0	
84.333			699	148,415	0	
<b>Federal Program 84.333 Total</b>				<b>430,573</b>	<b>0</b>	
84.334	Gaining Early Awarencs & Readinss for Undergrad Pr		343	3,426,518	1,354,392	
84.334			360	5,574,439	3,967,517	
84.334			365	2,008,548	491,250	
84.334			375	1,613,525	0	
84.334			376	1,237,667	0	
84.334			699	598,214	0	
84.334		0405-03	699	3,000	0	PT
<b>Federal Program 84.334 Total</b>				<b>14,461,911</b>	<b>5,813,159</b>	
84.335	Child Care Access Means Parents in School		360	196,186	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
84.335	Child Care Access Means Parents in School		375	30,799	0	
84.335			376	18,152	0	
84.335			380	44,115	0	
84.335			699	218,827	0	
<b>Federal Program 84.335 Total</b>				<b>508,079</b>	<b>0</b>	
84.336	Teacher Quality Enhancements Grants		350	26,655	0	
84.336			365	902,096	477,704	
<b>Federal Program 84.336 Total</b>				<b>928,751</b>	<b>477,704</b>	
84.338	Reading Excellence		350	1,126,212	730,185	
<b>Federal Program 84.338 Total</b>				<b>1,126,212</b>	<b>730,185</b>	
84.339	Learning Anytime Anywhere Partnerships (LAAP)		360	45,753	22,680	
<b>Federal Program 84.339 Total</b>				<b>45,753</b>	<b>22,680</b>	
84.342	Preparing Tomorrow's Teachers to Use Technology		365	44,944	7,814	
84.342			370	(2,210)	0	
84.342			375	103,906	0	
<b>Federal Program 84.342 Total</b>				<b>146,640</b>	<b>7,814</b>	
84.346	Voc Ed-Occupational & Employmnt Info State Grnts		354	213,653	0	
<b>Federal Program 84.346 Total</b>				<b>213,653</b>	<b>0</b>	
84.350	Transition to Teaching		350	244,311	0	
<b>Federal Program 84.350 Total</b>				<b>244,311</b>	<b>0</b>	
84.352	School Renovation Grants		350	129,251	0	
<b>Federal Program 84.352 Total</b>				<b>129,251</b>	<b>0</b>	
84.353	Tech-Prep Demonstration Grants		699	168,296	0	
<b>Federal Program 84.353 Total</b>				<b>168,296</b>	<b>0</b>	
84.355	Child Care Provider Loan Foregiveness Demo		699	11,902	0	
<b>Federal Program 84.355 Total</b>				<b>11,902</b>	<b>0</b>	
84.357	Reading First State Grants		350	15,516,806	13,085,603	
<b>Federal Program 84.357 Total</b>				<b>15,516,806</b>	<b>13,085,603</b>	
84.358	Rural Education		350	727,357	601,419	
<b>Federal Program 84.358 Total</b>				<b>727,357</b>	<b>601,419</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
84.363	School Leadership	0702.10.061.07 MOD01	360	52,022	0	PT
<b>Federal Program 84.363 Total</b>				<b>52,022</b>	<b>0</b>	
84.365	English Language Acquisition Grants		350	9,383,935	8,870,538	
<b>Federal Program 84.365 Total</b>				<b>9,383,935</b>	<b>8,870,538</b>	
84.366	Mathematics and Science Partnerships		350	1,108,030	991,545	
84.366		04273	365	34,548	0	PT
84.366		05266	365	1,398	0	PT
84.366		536740,536759	370	63,372	0	PT
<b>Federal Program 84.366 Total</b>				<b>1,207,348</b>	<b>991,545</b>	
84.367	Improving Teacher Quality Grants		343	1,133,350	161,151	
84.367			350	46,884,436	45,718,191	
84.367			365	12,556	0	
84.367			699	181,346	0	
<b>Federal Program 84.367 Total</b>				<b>48,211,688</b>	<b>45,879,342</b>	
84.369	Grants for State Assessments & Related Activities		350	13,034,923	0	
<b>Federal Program 84.369 Total</b>				<b>13,034,923</b>	<b>0</b>	
<b>Dept of Education Total</b>				<b>445,391,986</b>	<b>295,578,255</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Miscellaneous Commissions**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
90.401	Help America Vote Act Requirements Payments		085	3,668,788	2,289,943	
<b>Federal Program 90.401 Total</b>				<b>3,668,788</b>	<b>2,289,943</b>	
<b>Miscellaneous Commissions Total</b>				<b>3,668,788</b>	<b>2,289,943</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.000	HHS, Contract Number Only Provided	11-P-92243	302	156,228	0	
93.000		0000136610	360	17,180	0	
93.000		0000258512	360	62,114	0	
93.000		0254-6482-4609	360	(1,146)	0	PT
93.000		0254-6483-4609	360	140,143	0	PT
93.000		025464834609	360	162,067	0	PT
93.000		0321UW-03	360	8,465	0	PT
93.000		03R00021001D	360	6,042	0	
93.000		03T03009401D	360	2,597	0	
93.000		04-200312-01-S0855	360	616	0	PT
93.000		04-200483-01-S0939	360	39,164	0	PT
93.000		04-200525-01-S0905	360	28,505	0	PT
93.000		04IPA8136	360	148,038	0	
93.000		080-21000-Z24002	360	500	0	PT
93.000		080-21000-Z24003	360	26,743	0	PT
93.000		0845-G-BD281-04	360	6,239	0	PT
93.000		1 F32 HD 06631-01	360	2,560	0	
93.000		1 F32 HL 06328-03	360	4,150	0	
93.000		1 F32 MH 65804-01	360	1,476	0	
93.000		1 K23 NS049100-01A1	360	9,616	0	
93.000		1 KO1 PS000066-01	360	119,814	0	
93.000		1 RO1 HL 079507-01	360	167,532	0	
93.000		1 S10 RR13909-01	360	28,192	0	
93.000		1-U01HL6901501SITE6200	360	3,862	0	PT
93.000		10135316-006/GALASKO.D	360	(111)	0	PT
93.000		10221507-001	360	72,973	0	PT
93.000		10221507-002	360	364,149	0	PT
93.000		1030-10	360	22,853	0	PT
93.000		1090087-145355, AM01	360	48,940	0	PT
93.000		117161	360	20	0	PT
93.000		134252	360	(177)	0	PT
93.000		135886, AM03	360	74,902	0	PT
93.000		135886, AMENDMENTS 1&2	360	4,077	0	PT
93.000		14-0124-01	360	(1)	0	PT
93.000		14625, MA# 6630	360	187,826	0	PT
93.000		1595-G-BE093-01	360	(1,521)	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**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.000	HHS, Contract Number Only Provided	1595-G-CB844	360	1,521	0	PT
93.000		1595-G-EC128	360	24,345	0	PT
93.000		185-4552 MOD05	360	(613)	0	PT
93.000		1R01DA01790201 A1	360	375	0	PT
93.000		1T02MC00050-01	360	48,706	0	PT
93.000		1T02MC00050-01, AM01	360	(23)	0	PT
93.000		200-1999-00130 MOD04	360	(2,527)	0	
93.000		200-2004-M-09062	360	17,134	0	
93.000		200-2005-10462	360	1,713	0	
93.000		200-98-7005 MOD10	360	49,445	0	
93.000		200-98-7006 MOD10	360	14,714	0	
93.000		2002 AM04	360	23,639	0	PT
93.000		2003 4001-496885 MOD03	360	40,811	0	PT
93.000		2003-03-02	360	65,383	0	PT
93.000		2003-03-02, AM A	360	166,282	0	PT
93.000		2003.0015	360	38,533	0	PT
93.000		2003.0016	360	52,225	0	PT
93.000		2004-001	360	21	0	PT
93.000		2004.0007	360	13,243	0	PT
93.000		2004.0009	360	2,873	0	PT
93.000		2017	360	16,419	0	PT
93.000		213-98-0016 MOD13	360	12,686	0	
93.000		21XS009A, MOD04	360	16,002	0	
93.000		223-03-8724, TO #1	360	18,767	0	
93.000		233-02-0113	360	73,578	38,000	
93.000		240-01-0040 AM02	360	119,036	0	
93.000		24XS036, MOD 1	360	92,500	0	PT
93.000		24XS111	360	9,078	0	PT
93.000		254-2004-M-07334 MOD#1	360	62,644	0	
93.000		254-2004-M-07412	360	3,063	0	
93.000		263-MA-212313	360	23,279	0	
93.000		263-MQ-320084	360	6,761	0	
93.000		2811	360	10	0	PT
93.000		3000355256	360	200	0	PT
93.000		3187SC AM03	360	1,070	0	PT
93.000		3309SC	360	(162)	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**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.000	HHS, Contract Number Only Provided	35049-5S-652	360	28,184		0 PT
93.000		3702 AM01	360	1,541		0 PT
93.000		400-30-8	360	2,840		0 PT
93.000		40096	360	17,389		0 PT
93.000		401	360	61,893		0 PT
93.000		4055028800	360	71,021		0
93.000		41094509 AM#4	360	87,787		0 PT
93.000		4431, MOD01	360	66,788		0 PT
93.000		467-MZ-400416-1	360	63,698		0
93.000		5 F32 NS 07985-02	360	24		0
93.000		5 P30 AI 027757-17	360	20,974		0
93.000		5 R01 MH 61399-03	360	6,561		0 PT
93.000		5 R21 NS 041347-03	360	10,669	28,087	
93.000		5 U79 HP 00003-07	360	213,436		0
93.000		5-30474-8604 MOD01	360	5,726		0 PT
93.000		5-35070 AM04	360	10,518		0 PT
93.000		5-35070 AM11	360	(195)		0 PT
93.000		5-37164-A MOD 04	360	144,177		0 PT
93.000		5-70562	360	7,075		0 PT
93.000		5-70831	360	(1,184)		0 PT
93.000		50061UW-GE	360	9,899		0 PT
93.000		53-5143-5060	360	14,250		0 PT
93.000		53257BP1660 7804211CLH	360	7,963		0 PT
93.000		5R0AG17057-02 0561UW03	360	38,524		0 PT
93.000		7001146016100 AM05	360	213,003		0 PT
93.000		724-7558-223-2003674	360	(15,843)		0 PT
93.000		8007-31363-1, MOD03	360	360		0 PT
93.000		8303-49867-2, MOD.#3	360	91,054		0 PT
93.000		8303-49867-2, MOD01	360	38,288		0 PT
93.000		862913, MOD 01	360	24,349		0 PT
93.000		93-2900-25 MOD#12	360	53,289		0 PT
93.000		93-2906-62 MOD10	360	63,756		0 PT
93.000		96IC005	360	(675)		0 PT
93.000		98-0459(P)	360	750		0
93.000		A1015-21/22	360	548,024		0 PT
93.000		A1214-21/21	360	81,519		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**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.000	HHS, Contract Number Only Provided	A320.63U OF WASH	360	2,116		PT
93.000		AACTG.27.5170.02 MOD1	360	8,577		PT
93.000		AACTG.42.UICTU.01 MOD2	360	75,831		PT
93.000		AUCD RT01 2004-04-01	360	79,654		PT
93.000		AUCD RTOI 2004-01-05	360	19,742		PT
93.000		BECKER 19111EC109 AM2B	360	5,502		PT
93.000		BECKER19111EC109 AM02B	360	(5,478)		PT
93.000		C000227 MOD02	360	248		PT
93.000		C000227 MOD04	360	(47)		PT
93.000		C000227 MOD06	360	18,102		PT
93.000		CHMC 133	360	1,568		PT
93.000		CHMC 133 MOD03	360	34,976		PT
93.000		CHMC 133 MOD04	360	41,834		PT
93.000		CMS-03-00229	360	7,868		
93.000		D33774D	360	196,180		PT
93.000		D34034D	360	105,254		PT
93.000		DK55674 MOD05	360	47,482		PT
93.000		DS 607, AM01	360	(174)		PT
93.000		E0596G2	360	21,654		PT
93.000		EH01-121-S1	360	9,285		PT
93.000		HSH230200412021P-S1	360	26,600		PT
93.000		HHSM-500-2004-00234P	360	46,410		
93.000		HHSN261200433010CSBIR1	360	47,493		PT
93.000		HHSN266200400068C	360	94,033		PT
93.000		HHSN268200448194C	360	299,032		
93.000		HHSN268200525222C	360	22,002		
93.000		HHSN275200403370I	360	19,041		
93.000		HHSN275200403370I MOD1	360	5,840		
93.000		HHSN276200443503C MOD3	360	1,163,229	31,941	
93.000		HHSP233200400645P	360	71,511		
93.000		HR.7659.119401UW1 MOD4	360	9,753		PT
93.000		HR.7659.126404UW	360	36,349		PT
93.000		HR.7659.127605UW	360	30,271		PT
93.000		HR.7659.320203UW01	360	25,722		PT
93.000		HR7569 11 7603UW01MOD1	360	35,840		PT
93.000		MM-0127-02/02	360	9		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 Year Ended  
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**Federal Programs Not Clustered**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.000	HHS, Contract Number Only Provided	N01 AI 15431 MOD04	360	2,779,449	0	
93.000		N01 DK 92318 AM10	360	628,728	0	
93.000		N01 HR 46055 MOD07	360	275,536	0	
93.000		N01 HR 67118 MOD 12	360	26,484	0	
93.000		N01 HR 76118 MOD 12	360	138,130	132,993	
93.000		N01-AI-30070	360	78,792	0	PT
93.000		N01-AI-15442 MOD#2	360	(641)	0	PT
93.000		N01-AI-40069	360	315,824	7,482	
93.000		N01-AI-95388 MOD02	360	4,296	0	
93.000		N01-AI-95388 MOD11	360	637,085	90,415	
93.000		N01-AR-1-2252	360	56,416	0	
93.000		N01-AR1-2252, AM04	360	88,808	62,517	
93.000		N01-CM-37008	360	3,696	0	
93.000		N01-CM-37008 W.A. #1A	360	4,700	0	
93.000		N01-CM-37008 WA#2 MOD2	360	12,622	0	
93.000		N01-CO-37122	360	509,642	142,423	
93.000		N01-DE-72623 MOD13	360	445,006	0	
93.000		N01-HC-85079 MOD 11	360	789	0	
93.000		N01-HC-85079 MOD37	360	1,198,882	0	
93.000		N01-HC-95095 AM02	360	14,977	0	PT
93.000		N01-HC-95159 MOD010	360	29,739	0	
93.000		N01-HC-95159 MOD08	360	1,430,459	51,365	
93.000		N01-HC-95180	360	223,593	0	
93.000		N01-HC-95180, MOD13	360	3,345,572	2,703,744	
93.000		N01-HR-76118 MOD17	360	98,263	0	
93.000		N01-LM-1-3516, MOD10	360	7,793	0	
93.000		N01-LM-1-3516, MOD11	360	1,350,148	465,830	
93.000		NCA80098, ACRIN 6652	360	116,171	0	PT
93.000		NIH.1213-01708-SUB	360	11,172	0	PT
93.000		NO1-AI-15450, MOD02	360	1,544,416	0	
93.000		NO1-ES-15478 MO#5	360	4,308,399	0	
93.000		NO1-HC-9512 MOD06	360	1,737,956	0	PT
93.000		NO1-LM-1-3516	360	111,373	0	
93.000		NO1-LM-1-3516, MOD04	360	167,305	0	
93.000		NOIA115442 MOD#3	360	321,490	0	PT
93.000		NWRA-04-S-07902-04	360	32,762	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 Year Ended  
June 30, 2005  
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**Federal Programs Not Clustered**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.000	HHS, Contract Number Only Provided	P.O 02T20005101D AM01	360	(13)	0	
93.000		P.O. #5-70821	360	(3,307)	0	PT
93.000		P.O. #5-70890	360	23,269	0	PT
93.000		P.O. 0000158420 AM 02	360	41,388	0	
93.000		P.O. 02T02014004D	360	(23)	0	
93.000		P.O.#5-71859	360	(62)	0	PT
93.000		P021-040-N151-1105MOD2	360	11,074	0	PT
93.000		PHRI 20101-03-03	360	(978)	0	PT
93.000		PHRI 20101-03-05	360	28,353	0	PT
93.000		PO # 0000266219 & AM01	360	9,894	0	
93.000		PO # 5-73624	360	68,113	0	PT
93.000		PO #263-MD-506293	360	26,377	0	
93.000		PO 10135316-007	360	1,899	0	PT
93.000		PO 10135316-008	360	269,181	0	PT
93.000		PO 10135316-009	360	42,822	0	PT
93.000		PO 467-MZ-401994	360	19,808	0	
93.000		PO 5-71273	360	8,444	0	PT
93.000		PO 5-73631	360	222,302	0	PT
93.000		PO 5-73995	360	186,728	0	PT
93.000		PO# 9865846	360	116	0	
93.000		PO57061,MOD02	360	14,853	0	PT
93.000		QPV30104ORDER263MD4400	360	6,785	0	
93.000		R O1 HL 080295	360	19,048	0	
93.000		R01 EB 0000734, AM01	360	2,040	0	PT
93.000		R01 EB 00734	360	108,697	0	PT
93.000		R01 HL68553	360	12,623	0	PT
93.000		R20981-2490005	360	10,960	0	PT
93.000		R25 HG 2903-01	360	(107)	0	PT
93.000		R44 CA85101	360	17,224	0	PT
93.000		R44CA85101	360	40,014	0	PT
93.000		R49/CE000197-01	360	30	0	
93.000		S1431-20/22	360	32,331	0	PT
93.000		S1774-21/23	360	60,442	0	PT
93.000		S1838-21/23	360	121,488	0	PT
93.000		S1946-21/23	360	333,584	0	PT
93.000		S1956-21/23	360	288,490	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 Year Ended  
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**Federal Programs Not Clustered**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.000	HHS, Contract Number Only Provided	S2084-22/22	360	(3,260)	0	PT
93.000		S2084-22/23	360	49,370	0	PT
93.000		S2239-23/23	360	22,155	0	PT
93.000		S2245-22/22	360	13,271	0	PT
93.000		S3146-23/23	360	58,598	0	PT
93.000		S3230-23/23	360	14,900	0	PT
93.000		S3456-23/23	360	49,798	0	PT
93.000		SA-0400010	360	1,742	0	PT
93.000		SA-0400132 MOD01	360	14,722	0	PT
93.000		SA-0400162	360	8,139	0	PT
93.000		SA0400106	360	28,382	0	PT
93.000		SA0400153	360	27,771	0	PT
93.000		SA0400177	360	25,218	0	PT
93.000		SA0400226	360	4,755	0	PT
93.000		SA0500163	360	12,577	0	PT
93.000		SA0500178	360	20,363	0	PT
93.000		SA0500184	360	36,781	0	PT
93.000		SA0500218	360	22,706	0	PT
93.000		SA0500233	360	8,934	0	PT
93.000		SA0500238	360	9,285	0	PT
93.000		SA0500252	360	2,415	0	PT
93.000		SA0500253	360	82,468	0	PT
93.000		SA0500270	360	797	0	PT
93.000		SITE 123	360	15,282	0	PT
93.000		SUBGTANT #11	360	7,257	0	PT
93.000		T01275T AM05	360	13,923	0	PT
93.000		T01277T AM05	360	5,417	0	PT
93.000		T01575T, AM04	360	3,215	0	PT
93.000		TASK ORDER 002	360	2,183	0	PT
93.000		TS 0793	360	8,913	0	PT
93.000		U18 HS11843 MOD01 & 02	360	74,563	0	
93.000		U48/CCU919219-02-1	360	2,799	0	PT
93.000		UNC 5-56617	360	(205)	0	PT
93.000		UNC-CH#5-46627	360	13,817	0	PT
93.000		UOW2004-9	360	48,631	0	PT
93.000		USC H 30604	360	16,624	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Health & Human Services Dept**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.000	HHS, Contract Number Only Provided	USC H 30604 AM01	360	15,314	0	PT
93.000		UW Bud# 631687	360	27,855	0	PT
93.000		UW Bud# 660626	360	7,789	0	PT
93.000		UW Bud# 661356	360	9,464	0	PT
93.000		UW Bud# 663215	360	4,519	0	PT
93.000		UW Bud# 663546	360	26,388	0	PT
93.000		UW Bud# 663583	360	42,919	0	PT
93.000		UW Bud# 664012	360	111,545	0	PT
93.000		UW Bud# 664125	360	(29,818)	0	PT
93.000		UW Bud# 664558	360	12,855	0	PT
93.000		UW Bud# 664675	360	17	0	PT
93.000		UW Bud# 664804	360	(166)	0	PT
93.000		UW Bud# 664978	360	849	0	PT
93.000		UW Bud# 665138	360	(32)	0	PT
93.000		UW Bud# 665228	360	(11,622)	0	PT
93.000		UW Bud# 665507	360	(11,746)	0	PT
93.000		UW Bud# 665705	360	6,391	0	PT
93.000		UW Bud# 665806	360	(4)	0	PT
93.000		UW Bud# 665902	360	6	0	PT
93.000		UW Bud# 666035	360	165,178	0	PT
93.000		UW Bud# 666127	360	(1,667)	0	PT
93.000		UW Bud# 666180	360	(440)	0	PT
93.000		UW Bud# 666409	360	11,285	0	PT
93.000		UW Bud# 666414	360	2,406	0	PT
93.000		UW Bud# 666559	360	85,181	0	PT
93.000		UW Bud# 666580	360	201,034	0	PT
93.000		UW Bud# 666581	360	48,781	0	PT
93.000		UW Bud# 666682	360	214,617	0	PT
93.000		UW Bud# 667013	360	(1,935)	0	PT
93.000		UW Bud# 667254	360	6,801	0	PT
93.000		UW Bud# 667269	360	8	0	PT
93.000		UW Bud# 667308	360	235	0	PT
93.000		UW Bud# 667309	360	7,853	0	PT
93.000		UW Bud# 667312	360	13,378	0	PT
93.000		UW Bud# 667349	360	10,130	0	PT
93.000		UW Bud# 667526	360	144,373	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**

**Health & Human Services Dept**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.000	HHS, Contract Number Only Provided	UW Bud# 667535	360	85,805	0	PT
93.000		UW Bud# 667584	360	2,431	0	PT
93.000		UW Bud# 667779	360	21,475	0	PT
93.000		UW Bud# 667805	360	33,381	0	PT
93.000		UW Bud# 668049	360	7,605	0	PT
93.000		UW Bud# 668060	360	10,485	0	PT
93.000		UW Bud# 668114	360	2,697	0	PT
93.000		UW Bud# 668130	360	13,283	0	PT
93.000		UW Bud# 668255	360	3,492	0	PT
93.000		UW Bud# 668266	360	310	0	PT
93.000		UW Bud# 668397	360	27,969	0	PT
93.000		UW Bud# 668419	360	22,606	0	PT
93.000		UW Bud# 668440	360	23,632	0	PT
93.000		UW Bud# 668531	360	14,496	0	PT
93.000		UW Bud# 668661	360	58,311	0	PT
93.000		UW Bud# 668734	360	27,409	0	PT
93.000		UW Bud# 668747	360	3,714	0	PT
93.000		UW Bud# 668762	360	23,356	0	PT
93.000		UW Bud# 668836	360	26,740	0	PT
93.000		UW Bud# 668861	360	84,161	0	PT
93.000		UW Bud# 668902	360	67,409	0	PT
93.000		UW Bud# 668923	360	32,347	0	PT
93.000		UW Bud# 668964	360	4,239	0	PT
93.000		UW Bud# 668967	360	39,184	0	PT
93.000		UW Bud# 669014	360	5,260	0	PT
93.000		UW Bud# 669066	360	183,569	0	PT
93.000		UW Bud# 669148	360	11,815	0	PT
93.000		UW Bud# 669248	360	18,711	0	PT
93.000		UW Bud# 669347	360	33,454	0	PT
93.000		UW Bud# 669394	360	16,233	0	PT
93.000		UW Bud# 669427	360	40,037	0	PT
93.000		UW Bud# 669477	360	16,819	0	PT
93.000		UW Bud# 669822	360	4,687	0	PT
93.000		UW Bud# 669823	360	9,870	0	PT
93.000		UW Bud# 669847	360	7,543	0	PT
93.000		UW Bud# 669863	360	5,901	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 Year Ended  
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**Federal Programs Not Clustered**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.000	HHS, Contract Number Only Provided	UW Bud# 669885	360	2,679	0	PT
93.000		UW Bud# 669891	360	797	0	PT
93.000		UW Bud# 670510	360	19,091	0	PT
93.000		UW Bud# 670795	360	4,220	0	PT
93.000		UW Bud# 670796	360	102,118	0	PT
93.000		UW Bud# 670895	360	25,650	0	PT
93.000		UW Bud# 800324	360	33,047	0	PT
93.000		UW Bud# 802490	360	6,000	0	PT
93.000		Z157101 MOD E	360	(59)	0	PT
93.000		ZRG1 SSSH(01)B	360	(181,990)	0	PT
93.000		ZZ2647H AM11	360	245,033	0	PT
93.000		IR21EB00195001A1	365	104,125	17,485	
93.000		IR21ES01386301	365	24,225	0	
93.000		20037338509444	365	(29,713)	0	PT
93.000		200403007	365	346	0	PT
93.000		2112004M07393	365	85,974	0	
93.000		2112004M08922	365	57,183	0	
93.000		27301C0175	365	10,601	0	
93.000		532553	365	17,660	0	PT
93.000		ES1352701	365	12,431	0	
93.000		GUAR24280133	365	107,192	0	
93.000		GUAR39610114	365	1,177	0	
93.000		N01AI30055	365	570,770	0	
93.000		WSU000138	365	16,860	0	PT
93.000		WSU000181	365	17,327	0	PT
<b>Federal Program 93.000 Total</b>				<b>35,685,045</b>	<b>3,772,282</b>	
93.003	Public Health and Social Services Emerg. Fund		303	9,695,727	746,357	
<b>Federal Program 93.003 Total</b>				<b>9,695,727</b>	<b>746,357</b>	
93.041	Spec Pgms Aging Title VII, Cp 3		300	122,709	81,529	
<b>Federal Program 93.041 Total</b>				<b>122,709</b>	<b>81,529</b>	
93.042	Spec Pgms/Aging Title VII Cp 2		300	334,751	0	
<b>Federal Program 93.042 Total</b>				<b>334,751</b>	<b>0</b>	
93.043	Spec Pgms Aging Title III Pt D		300	462,018	461,972	

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**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
<b>Federal Program 93.043 Total</b>				<b>462,018</b>	<b>461,972</b>	
93.048	Spec Pgms Aging Title IV & Title II Discretionary		160	213,879	0	
<b>Federal Program 93.048 Total</b>				<b>213,879</b>	<b>0</b>	
93.052	Nation Family Caregiver Support		300	2,796,033	2,677,094	
<b>Federal Program 93.052 Total</b>				<b>2,796,033</b>	<b>2,677,094</b>	
93.063	Centers for Genomics and Public Health		360	97,026	0	
<b>Federal Program 93.063 Total</b>				<b>97,026</b>	<b>0</b>	
93.104	Compre Comm Mentl Hlth Srvc-Childn with S E D	536445	370	239,964	0	PT
<b>Federal Program 93.104 Total</b>				<b>239,964</b>	<b>0</b>	
93.107	Model State-Supported Area Health Educ Centers		360	360,725	226,674	
<b>Federal Program 93.107 Total</b>				<b>360,725</b>	<b>226,674</b>	
93.110	Maternal & Child Health		303	1,330,248	101,317	
93.110			360	2,059,010	33,389	
93.110		1920 G EB631	360	20,211	0	PT
93.110		PN-WILM-FMCH-9971.01	360	24,342	0	PT
<b>Federal Program 93.110 Total</b>				<b>3,433,811</b>	<b>134,706</b>	
93.116	Tuberculosis Control Programs		303	1,580,929	916,695	
<b>Federal Program 93.116 Total</b>				<b>1,580,929</b>	<b>916,695</b>	
93.127	Emerg Medical Services-Child		303	61,385	0	
93.127			360	181,476	28,309	
<b>Federal Program 93.127 Total</b>				<b>242,861</b>	<b>28,309</b>	
93.130	Primary Care Services-Resource Coord & Devlpt		303	196,068	0	
<b>Federal Program 93.130 Total</b>				<b>196,068</b>	<b>0</b>	
93.134	Grants to Increase Organ Donat	1727-02	360	14,994	0	PT
93.134		1727-03	360	83,481	0	PT
<b>Federal Program 93.134 Total</b>				<b>98,475</b>	<b>0</b>	
93.142	NIEHS Hazrdus Waste Safty Tng	2105 G EB228 AM01	360	64,451	0	PT
93.142		2105G EB227	360	21,921	0	PT
<b>Federal Program 93.142 Total</b>				<b>86,372</b>	<b>0</b>	
93.145	AIDS Education & Trng Centers		360	16,685,176	6,200,535	

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**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.145	AIDS Education & Trng Centers	3937SC	360	22,144	0	PT
<b>Federal Program 93.145 Total</b>				<b>16,707,320</b>	<b>6,200,535</b>	
93.150	Proj for Asst Trans from Homel		300	888,170	0	
<b>Federal Program 93.150 Total</b>				<b>888,170</b>	<b>0</b>	
93.157	Centers of Excellence		360	475,207	39,817	
<b>Federal Program 93.157 Total</b>				<b>475,207</b>	<b>39,817</b>	
93.161	Health Pgm Toxic Substances		303	42,328	0	
<b>Federal Program 93.161 Total</b>				<b>42,328</b>	<b>0</b>	
93.165	Grants to States for Loan Repayment Program		343	412,164	0	
<b>Federal Program 93.165 Total</b>				<b>412,164</b>	<b>0</b>	
93.178	Nursing Workforce Diversity		365	306,859	13,268	
93.178			699	94,497	0	
<b>Federal Program 93.178 Total</b>				<b>401,356</b>	<b>13,268</b>	
93.189	Health Ed & Training Centers		360	160,060	143,969	
<b>Federal Program 93.189 Total</b>				<b>160,060</b>	<b>143,969</b>	
93.192	Quentin N.Burdick Progs for Rural Interdisciplinary Trng		360	267,046	1,037	
<b>Federal Program 93.192 Total</b>				<b>267,046</b>	<b>1,037</b>	
93.197	Childhd Lead Poisoning Prevtn Prjt-St & Comm Based		303	533	0	
<b>Federal Program 93.197 Total</b>				<b>533</b>	<b>0</b>	
93.204	Surveillance of Hazardous Substance Emerg Events		303	27,534	0	
<b>Federal Program 93.204 Total</b>				<b>27,534</b>	<b>0</b>	
93.217	Family Planning - Services		303	3,960,383	3,391,649	
<b>Federal Program 93.217 Total</b>				<b>3,960,383</b>	<b>3,391,649</b>	
93.224	Consolidated Health Centers (Community Health Centers)	D32933D, AM01	360	211	0	PT
93.224		D34155D	360	49,046	0	PT
93.224		D35108D	360	24,929	0	PT
<b>Federal Program 93.224 Total</b>				<b>74,186</b>	<b>0</b>	
93.234	Traumatic Brain Injury-State Demo Grnt Prgm		300	146,617	0	
<b>Federal Program 93.234 Total</b>				<b>146,617</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.235	Abstinence Education Program		303	832,739	81,494	
	<b>Federal Program 93.235 Total</b>			<b>832,739</b>	<b>81,494</b>	
93.238	Coop Agreemnts for State Treatment Outcomes		300	105,874	0	
	<b>Federal Program 93.238 Total</b>			<b>105,874</b>	<b>0</b>	
93.240	State Capacity Building		303	558,284	0	
	<b>Federal Program 93.240 Total</b>			<b>558,284</b>	<b>0</b>	
93.241	State Rural Hospital Flexibility Program		303	693,038	0	
	<b>Federal Program 93.241 Total</b>			<b>693,038</b>	<b>0</b>	
93.243	Subst Abse & Mentl Hlth Svs-Regl & Natl Sgnificance		300	321,003	0	
	<b>Federal Program 93.243 Total</b>			<b>321,003</b>	<b>0</b>	
93.247	Advanced Educ Nursing Grant Program		360	1,661,198	11,807	
	<b>Federal Program 93.247 Total</b>			<b>1,661,198</b>	<b>11,807</b>	
93.249	Public Hlth Training Centers Grant Program		360	464,004	235,789	
93.249		S01755, MOD04	360	10,007	0	PT
	<b>Federal Program 93.249 Total</b>			<b>474,011</b>	<b>235,789</b>	
93.251	Universal Newborn Hearing Screen		303	147,149	2,288	
	<b>Federal Program 93.251 Total</b>			<b>147,149</b>	<b>2,288</b>	
93.252	Healthy Communities Access Program	D34353D	360	69,392	0	PT
	<b>Federal Program 93.252 Total</b>			<b>69,392</b>	<b>0</b>	
93.256	St Planng Grant_Hlth Care Access for the Uninsured		105	158,519	0	
	<b>Federal Program 93.256 Total</b>			<b>158,519</b>	<b>0</b>	
93.259	Rural Access to Emergency Devices Grant		303	369,526	29,953	
	<b>Federal Program 93.259 Total</b>			<b>369,526</b>	<b>29,953</b>	
93.263	Occupatnl Safety/Health Tng		360	72,312	0	
	<b>Federal Program 93.263 Total</b>			<b>72,312</b>	<b>0</b>	
93.264	Nurse Faculty Loan Program (NFLP)		360	87,356	0	
	<b>Federal Program 93.264 Total</b>			<b>87,356</b>	<b>0</b>	
93.268	Immunization Grants		303	6,825,367	3,208,315	
93.268			303	31,939,897	0	NC

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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
<b>Federal Program 93.268 Total</b>				<b>38,765,264</b>	<b>3,208,315</b>	
93.275	Substance Abuse & Mental Health Svcs-Access to Recovery		300	2,131,443	252,261	
<b>Federal Program 93.275 Total</b>				<b>2,131,443</b>	<b>252,261</b>	
93.283	Ctrs - Disease Control - Inv & T A		235	169,240	0	
93.283			303	34,229,771	16,075,325	
93.283			360	3,207,310	94,200	
93.283		03-755	360	21,135	0	PT
93.283		04-0916, AM01	360	(29,466)	0	PT
93.283		05-1040, PO#41801	360	50,627	0	PT
93.283		D3295-23/23	360	64,622	0	PT
93.283		D34121D, AM02	360	80,451	0	PT
93.283		D34158D	360	4,154	0	PT
93.283		D34198D	360	39,235	0	PT
93.283		D34949D	360	11,086	0	PT
93.283		FY04.051.006	360	48,122	0	PT
93.283		FY05.253.003, AMEND 1	360	59,062	0	PT
93.283		HR.7659.110404UW03MOD1	360	4,402	0	PT
93.283		HR.7659.110405UW01	360	59,521	0	PT
93.283		HR.7659.110405UW03	360	90,805	0	PT
93.283		HR76591110405UW02	360	55,901	0	PT
93.283		MM-0625-04/04	360	207,257	0	PT
93.283		U48/CCU919219-04-3	360	(2,392)	0	PT
93.283		U48/CCU919219-04-4	360	27,300	0	PT
93.283		200520	365	12,155	0	PT
<b>Federal Program 93.283 Total</b>				<b>38,410,298</b>	<b>16,169,525</b>	
93.301	Small Rural Hospital Improvement Grant Program		303	279,036	0	
<b>Federal Program 93.301 Total</b>				<b>279,036</b>	<b>0</b>	
93.358	Advanced Educ Nursing Traineeships		360	144,116	0	
93.358			365	55,956	0	
<b>Federal Program 93.358 Total</b>				<b>200,072</b>	<b>0</b>	
93.359	Nurse Education, Practice & Retention Grants		360	553,456	0	
93.359			365	532,814	0	
<b>Federal Program 93.359 Total</b>				<b>1,086,270</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington  
 Schedule of Expenditures of Federal Awards

For the Year Ended  
 June 30, 2005  
 (Expressed in whole dollars)

Federal Programs Not Clustered

Health & Human Services Dept

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.389	Research Infrastructure		360	24,265,505	1,514,246	
93.389		G00205Z3532 MOD01	360	69,357	0	PT
93.389		P387763	360	47,538	0	PT
93.389		P389885 MOD01	360	290,264	0	PT
93.389		PY-0505, AM05	360	16,889	0	PT
93.389			365	49,699	0	
<b>Federal Program 93.389 Total</b>				<b>24,739,252</b>	<b>1,514,246</b>	
93.556	Promoting Safe & Stable Families		300	5,797,618	0	
<b>Federal Program 93.556 Total</b>				<b>5,797,618</b>	<b>0</b>	
93.558	Temp Assistance for Needy Families		300	262,767,105	0	
<b>Federal Program 93.558 Total</b>				<b>262,767,105</b>	<b>0</b>	
93.563	Child Support Enforcement		300	53,507,315	18,979,910	
<b>Federal Program 93.563 Total</b>				<b>53,507,315</b>	<b>18,979,910</b>	
93.566	Refugee and Entrant Assistance		300	12,196,808	276,428	
<b>Federal Program 93.566 Total</b>				<b>12,196,808</b>	<b>276,428</b>	
93.568	Low-Income Home Energy Asst		103	38,957,688	35,650,730	
<b>Federal Program 93.568 Total</b>				<b>38,957,688</b>	<b>35,650,730</b>	
93.569	Community Services Block Grant		103	7,552,318	7,307,460	
<b>Federal Program 93.569 Total</b>				<b>7,552,318</b>	<b>7,307,460</b>	
93.570	Community Servs Blk Grnt-Discretionary Awards	NYSPP041187	365	48,763	0	PT
93.570		NYSPP051195	365	15,994	0	PT
<b>Federal Program 93.570 Total</b>				<b>64,757</b>	<b>0</b>	
93.576	Refugee & Entrant Assist-Discret Grnts		300	388,309	0	
93.576			350	443,864	215,197	
<b>Federal Program 93.576 Total</b>				<b>832,173</b>	<b>215,197</b>	
93.584	Refugee & Entrant Asst-Targeted Asst		300	1,995,578	84,177	
<b>Federal Program 93.584 Total</b>				<b>1,995,578</b>	<b>84,177</b>	
93.585	Empowerment Zones Program		103	63,594	63,594	
<b>Federal Program 93.585 Total</b>				<b>63,594</b>	<b>63,594</b>	
93.586	State Court Improvement Prog		055	257,447	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
<b>Federal Program 93.586 Total</b>				<b>257,447</b>	<b>0</b>	
93.590	Community-Based Child Abuse Prevention		300	416,529	416,529	
93.590		111-4L39	699	14,278	0	PT
<b>Federal Program 93.590 Total</b>				<b>430,807</b>	<b>416,529</b>	
93.597	Grnts to States for Access & Visitation Progs		300	143,881	0	
<b>Federal Program 93.597 Total</b>				<b>143,881</b>	<b>0</b>	
93.599	Chafee Educ and Training Vouchers Program		300	877,379	0	
<b>Federal Program 93.599 Total</b>				<b>877,379</b>	<b>0</b>	
93.600	Head Start		300	368,430	0	
93.600			360	648,627	19,355	
93.600			365	159,288	0	
93.600		NONE	365	16,701	0	PT
93.600			370	1,807,405	28,615	
93.600			699	19,304,298	0	
93.600		10CH010421	699	163,032	0	PT
93.600		1451111S03	699	2,988	0	PT
93.600		1T19,22,23	699	148,938	0	PT
93.600		34402171935440	699	100,017	0	PT
<b>Federal Program 93.600 Total</b>				<b>22,719,724</b>	<b>47,970</b>	
93.603	Adoption Incentive Payments		300	1,152,346	0	
<b>Federal Program 93.603 Total</b>				<b>1,152,346</b>	<b>0</b>	
93.617	VotingAccess for Individuals w/ Disabilities-Sts/L		085	54,046	54,046	
<b>Federal Program 93.617 Total</b>				<b>54,046</b>	<b>54,046</b>	
93.630	Devlp Disabilities-Basic		103	1,316,681	420,668	
<b>Federal Program 93.630 Total</b>				<b>1,316,681</b>	<b>420,668</b>	
93.632	Univ Ctrs f/ Excelln in Developmntl Disablt Educ, R		360	420,896	0	
<b>Federal Program 93.632 Total</b>				<b>420,896</b>	<b>0</b>	
93.643	Childrens Justice Grants-State		300	348,920	0	
<b>Federal Program 93.643 Total</b>				<b>348,920</b>	<b>0</b>	
93.645	Child Welfare Services - State		300	5,573,803	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
<b>Federal Program 93.645 Total</b>				<b>5,573,803</b>	<b>0</b>	
93.648	Child Welfare Services Tng		360	71,548	0	
<b>Federal Program 93.648 Total</b>				<b>71,548</b>	<b>0</b>	
93.658	Foster Care - Title IV-E		300	73,665,544	0	
93.658		536691-94,96	370	1,609,032	0	PT
<b>Federal Program 93.658 Total</b>				<b>75,274,576</b>	<b>0</b>	
93.659	Adoption Assistance		300	29,496,405	0	
<b>Federal Program 93.659 Total</b>				<b>29,496,405</b>	<b>0</b>	
93.667	Social Services Block Grant		300	46,368,845	0	
<b>Federal Program 93.667 Total</b>				<b>46,368,845</b>	<b>0</b>	
93.669	Child Abuse & Neglect St Grnts		300	462,611	0	
<b>Federal Program 93.669 Total</b>				<b>462,611</b>	<b>0</b>	
93.670	Chld Abse & Neglt Discret Actv		300	289,322	0	
93.670			360	910,476	614,218	
<b>Federal Program 93.670 Total</b>				<b>1,199,798</b>	<b>614,218</b>	
93.671	Family Violence Prevnt & Svcs-Grnts to Sts & Ind T		300	1,704,712	0	
<b>Federal Program 93.671 Total</b>				<b>1,704,712</b>	<b>0</b>	
93.674	Chafee Foster Care Independence Program		300	2,386,609	0	
<b>Federal Program 93.674 Total</b>				<b>2,386,609</b>	<b>0</b>	
93.767	State Children's Insurance Program		300	37,238,638	0	
<b>Federal Program 93.767 Total</b>				<b>37,238,638</b>	<b>0</b>	
93.768	Mdcaid Infrstrctr, Suprt Cmpetive Emplt, Disabld		300	710,671	0	
<b>Federal Program 93.768 Total</b>				<b>710,671</b>	<b>0</b>	
93.822	Health Careers Opportunity Pgm		360	662,403	349,439	
<b>Federal Program 93.822 Total</b>				<b>662,403</b>	<b>349,439</b>	
93.824	Basic/ Core Area Health Education Centers		360	274,231	235,401	
<b>Federal Program 93.824 Total</b>				<b>274,231</b>	<b>235,401</b>	
93.879	Medical Library Assistance		360	1,951,618	0	
<b>Federal Program 93.879 Total</b>				<b>1,951,618</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington  
 Schedule of Expenditures of Federal Awards

For the Year Ended  
 June 30, 2005  
 (Expressed in whole dollars)

Federal Programs Not Clustered

Health & Human Services Dept

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.884	Grants for Training in Primary Care Medicine & Dentistry		360	1,286,387	91,761	
93.884		Z694006	360	12,130	0	PT
93.884		Z705343	360	21,676	0	PT
<b>Federal Program 93.884 Total</b>				<b>1,320,193</b>	<b>91,761</b>	
93.887	Health Care and Other Facilities		360	5,453,456	0	
<b>Federal Program 93.887 Total</b>				<b>5,453,456</b>	<b>0</b>	
93.912	Rural Hlth Care Services Outreach-Rural HealthNetwork Devlpmnt Prog		360	144,253	144,251	
<b>Federal Program 93.912 Total</b>				<b>144,253</b>	<b>144,251</b>	
93.913	Oper of Rural Health Offices		303	98,272	2,415	
<b>Federal Program 93.913 Total</b>				<b>98,272</b>	<b>2,415</b>	
93.917	HIV Care Formula Grants		303	8,608,906	7,637,146	
<b>Federal Program 93.917 Total</b>				<b>8,608,906</b>	<b>7,637,146</b>	
93.928	Spec Projs of Nat Significance		360	745,236	169,313	
<b>Federal Program 93.928 Total</b>				<b>745,236</b>	<b>169,313</b>	
93.931	Demo Grnts to States for Comm Scholarshps		360	69,183	0	
<b>Federal Program 93.931 Total</b>				<b>69,183</b>	<b>0</b>	
93.938	Coop Agmts Spt Schl Hlth AIDS		350	478,121	54,191	
<b>Federal Program 93.938 Total</b>				<b>478,121</b>	<b>54,191</b>	
93.939	HIV Prevention Actv-Non-Govt Org Based	HAPD0001	360	151	0	PT
<b>Federal Program 93.939 Total</b>				<b>151</b>	<b>0</b>	
93.940	HIV Prevention Activities		303	3,707,498	2,784,108	
<b>Federal Program 93.940 Total</b>				<b>3,707,498</b>	<b>2,784,108</b>	
93.941	HIV Demo,Rsch,Public & Professnl Educ Prjts		360	141,538	112,648	
<b>Federal Program 93.941 Total</b>				<b>141,538</b>	<b>112,648</b>	
93.944	HIV/AIDS Surveillance		303	2,073,189	1,493,879	
<b>Federal Program 93.944 Total</b>				<b>2,073,189</b>	<b>1,493,879</b>	
93.945	Assist Progs for Chronic Disease Prevntn & Control		303	415,719	0	
93.945		D34308D	360	12,293	0	PT
<b>Federal Program 93.945 Total</b>				<b>428,012</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington  
 Schedule of Expenditures of Federal Awards

For the Year Ended  
 June 30, 2005  
 (Expressed in whole dollars)

Federal Programs Not Clustered

Health & Human Services Dept

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.947	TB Demo, Rsch, Public & Professnl Educ		303	(31,545)	(31,202)	
<b>Federal Program 93.947 Total</b>				<b>(31,545)</b>	<b>(31,202)</b>	
93.952	Trauma Care Systems Planning & Development		303	33,625	0	
93.952			360	119,894	0	
<b>Federal Program 93.952 Total</b>				<b>153,519</b>	<b>0</b>	
93.956	Agricultural Hlth & Safety Programs		360	48,708	0	
<b>Federal Program 93.956 Total</b>				<b>48,708</b>	<b>0</b>	
93.958	Blk Grts Comm Mental Hlth Svcs		300	8,584,851	7,141,562	
<b>Federal Program 93.958 Total</b>				<b>8,584,851</b>	<b>7,141,562</b>	
93.959	Block Grant Substance Abuse		300	35,481,032	12,334,335	
93.959		D35082D	360	1,653	0	PT
<b>Federal Program 93.959 Total</b>				<b>35,482,685</b>	<b>12,334,335</b>	
93.962	Health Administration Traineeships Program		365	14,435	0	
<b>Federal Program 93.962 Total</b>				<b>14,435</b>	<b>0</b>	
93.964	Public Health Traineeships		360	46,560	0	
<b>Federal Program 93.964 Total</b>				<b>46,560</b>	<b>0</b>	
93.969	Geriatric Education Centers		360	205,469	0	
<b>Federal Program 93.969 Total</b>				<b>205,469</b>	<b>0</b>	
93.977	PHS-Sex Transmitted Disease		303	4,540,069	2,949,025	
<b>Federal Program 93.977 Total</b>				<b>4,540,069</b>	<b>2,949,025</b>	
93.988	Coop Agree- Diabetes Control		303	1,052,750	0	
<b>Federal Program 93.988 Total</b>				<b>1,052,750</b>	<b>0</b>	
93.989	Senior International Fellowshi		360	2,690,043	93,384	
<b>Federal Program 93.989 Total</b>				<b>2,690,043</b>	<b>93,384</b>	
93.991	Preventive Health Services Grt		303	1,186,366	596,982	
<b>Federal Program 93.991 Total</b>				<b>1,186,366</b>	<b>596,982</b>	
93.994	Maternal & Child Health Blk Gt		303	9,646,899	6,784,881	
<b>Federal Program 93.994 Total</b>				<b>9,646,899</b>	<b>6,784,881</b>	
93.996	Bioterrorism Trng & Curriculum Development Program		360	524,920	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Health & Human Services Dept**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 93.996 Total</b>				<b>524,920</b>	<b>0</b>	
93.999	HHS, UNKNOWN		300	85,936	0	
93.999			360	120,948	0	
<b>Federal Program 93.999 Total</b>				<b>206,884</b>	<b>0</b>	
<b>Health &amp; Human Services Dept Total</b>				<b>892,825,503</b>	<b>147,416,017</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Corp for National & Comm Serv**

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 & Senior Volunteer Program		375	73,303	0	
94.002			699	58,904	0	
<b>Federal Program 94.002 Total</b>				<b>132,207</b>	<b>0</b>	
94.003	State Commissions		105	389,689	0	
<b>Federal Program 94.003 Total</b>				<b>389,689</b>	<b>0</b>	
94.004	Learn & Serve-School & Comm		350	786,770	491,917	
<b>Federal Program 94.004 Total</b>				<b>786,770</b>	<b>491,917</b>	
94.005	Learn & Serve-Higher Ed	ENTER BB PROJ #990101	360	(24,865)	0	PT
<b>Federal Program 94.005 Total</b>				<b>(24,865)</b>	<b>0</b>	
94.006	AmeriCorps		105	10,467,765	10,467,765	
94.006		ENTER BB PROJ #480100	360	23,438	0	PT
94.006			376	238,520	0	
94.006			699	138,010	0	
<b>Federal Program 94.006 Total</b>				<b>10,867,733</b>	<b>10,467,765</b>	
94.007	Plan & Prog Dev Grnts		105	34,247	34,021	
94.007			380	204,620	0	
<b>Federal Program 94.007 Total</b>				<b>238,867</b>	<b>34,021</b>	
94.009	Training & Tech Assist		105	82,919	0	
<b>Federal Program 94.009 Total</b>				<b>82,919</b>	<b>0</b>	
94.013	VISTA		540	1,682,420	0	
<b>Federal Program 94.013 Total</b>				<b>1,682,420</b>	<b>0</b>	
<b>Corp for National &amp; Comm Serv Total</b>				<b>14,155,740</b>	<b>10,993,703</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Social Security Administration**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
96.008	Social Security-Benefits Plang. Asst & Outreach		540	269,998	0	
<b>Federal Program 96.008 Total</b>				<b>269,998</b>	<b>0</b>	
<b>Social Security Administration Total</b>				<b>269,998</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington  
 Schedule of Expenditures of Federal Awards

For the Year Ended  
 June 30, 2005  
 (Expressed in whole dollars)

Federal Programs Not Clustered

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
97.000	HS, Contract Number Only Provided	NBCHC040146 AM 01	360	22,510	0	PT
97.000		NBCHC050041	360	11,844	0	PT
97.000		UW Bud# 668914	360	20,000	0	PT
97.000		UW Bud# 668915	360	48,015	0	PT
97.000		UW Bud# 668916	360	13,134	0	PT
97.000		UW Bud# 668917	360	49,215	0	PT
97.000		UW Bud# 668918	360	1,367	0	PT
97.000		UW Bud# 668919	360	3,750	0	PT
97.000		UW Bud# 668920	360	60,472	0	PT
97.000		UW Bud# 668969	360	20,000	0	PT
<b>Federal Program 97.000 Total</b>				<b>250,307</b>	<b>0</b>	
97.005	State & Local Domestic Preparedness Training Prog		245	18,556,362	17,644,979	
<b>Federal Program 97.005 Total</b>				<b>18,556,362</b>	<b>17,644,979</b>	
97.006	State & Local Domestic Preparedness Exercise Suppt		245	3,557	0	
<b>Federal Program 97.006 Total</b>				<b>3,557</b>	<b>0</b>	
97.008	Urban Areas Security Initiative		245	5,497,217	5,497,217	
97.008			405	884,652	0	
<b>Federal Program 97.008 Total</b>				<b>6,381,869</b>	<b>5,497,217</b>	
97.012	Boating Safety Financial Assistance		465	840,423	0	
<b>Federal Program 97.012 Total</b>				<b>840,423</b>	<b>0</b>	
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants		245	230,130	215,578	
<b>Federal Program 97.017 Total</b>				<b>230,130</b>	<b>215,578</b>	
97.023	Community Asst Prog - St Spprt Svs Element		461	149,906	0	
<b>Federal Program 97.023 Total</b>				<b>149,906</b>	<b>0</b>	
97.029	Flood Mitigation Assistance		245	84,582	80,056	
<b>Federal Program 97.029 Total</b>				<b>84,582</b>	<b>80,056</b>	
97.032	Crisis Counseling		245	2,410	2,410	
<b>Federal Program 97.032 Total</b>				<b>2,410</b>	<b>2,410</b>	
97.036	Public Assistance Grants		245	12,858,197	12,019,884	
<b>Federal Program 97.036 Total</b>				<b>12,858,197</b>	<b>12,019,884</b>	
97.039	Hazard Mitigation Grant (HMGP)		245	5,704,821	5,620,923	

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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**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
<b>Federal Program 97.039 Total</b>				<b>5,704,821</b>	<b>5,620,923</b>	
97.040	Chemical Stockpile Emrgcy Preparedness Program		245	3,797,298	1,643,996	
<b>Federal Program 97.040 Total</b>				<b>3,797,298</b>	<b>1,643,996</b>	
97.041	National Dam Safety Program		461	30,680	0	
<b>Federal Program 97.041 Total</b>				<b>30,680</b>	<b>0</b>	
97.042	Emergency Mgt Performance Grants (EMPG)		245	3,276,987	2,008,498	
<b>Federal Program 97.042 Total</b>				<b>3,276,987</b>	<b>2,008,498</b>	
97.043	State Fire Trng Systems Grnts (Natl Fire Acadmy)		225	9,806	0	
<b>Federal Program 97.043 Total</b>				<b>9,806</b>	<b>0</b>	
97.045	Cooperating Technical Partners		461	81,879	0	
<b>Federal Program 97.045 Total</b>				<b>81,879</b>	<b>0</b>	
97.046	Fire Management Assistance Grant		245	2,507,003	2,507,003	
<b>Federal Program 97.046 Total</b>				<b>2,507,003</b>	<b>2,507,003</b>	
97.047	Pre-Disaster Mitigation		245	160,602	157,774	
<b>Federal Program 97.047 Total</b>				<b>160,602</b>	<b>157,774</b>	
97.054	Community Emergency Response Teams (CERTS)		105	339,871	239,304	
97.054		UW Bud# 670649	360	2,733	0	PT
<b>Federal Program 97.054 Total</b>				<b>342,604</b>	<b>239,304</b>	
97.056	Port Security Grant Program		405	2,092,649	0	
<b>Federal Program 97.056 Total</b>				<b>2,092,649</b>	<b>0</b>	
97.063	Pre-Disaster Mitigation Disaster Resistent Univrs		245	20,552	20,552	
<b>Federal Program 97.063 Total</b>				<b>20,552</b>	<b>20,552</b>	
97.070	Map Modernization Management Support		461	27,428	0	
<b>Federal Program 97.070 Total</b>				<b>27,428</b>	<b>0</b>	
<b>Homeland Security Total</b>				<b>57,410,052</b>	<b>47,658,174</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**U.S. Agency for International Development**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
98.001	USAID Foreign Asst for Programs Overseas	98-005900	699	89,868	0	PT
<b>Federal Program 98.001 Total</b>				<b>89,868</b>	<b>0</b>	
<b>U.S. Agency for International Development Total</b>				<b>89,868</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Undetermined Fed Agency**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
99.000	Unk Fed Agy, Contract Number Only Provided	2003 05, AM02	360	78,298	0	PT
99.000		2003-05, AM02	360	172,766	0	PT
99.000		3936SC	360	28,418	0	PT
99.000		400054-1	360	30,836	0	PT
99.000		43SBNB960139 MOD0004	360	4,347	0	
99.000		4400069070	360	4,821	0	PT
99.000		7091.370	360	29,832	0	PT
99.000		HM1582-05-C-0004	360	46,852	0	
99.000		LG-02-02-0082-02	360	79,833	25,574	
99.000		LG-30-03-0209-03	360	223,231	0	
99.000		ML-01-03-0373-03	360	69,481	0	
99.000		NRO-508	360	59,016	0	PT
99.000		NROOOO-01-C-0200 P9	360	231,222	0	
99.000		P.O. P15360A	360	23,285	0	PT
99.000		TA J9W88030002CA9088A8	360	11,672	0	
99.000		UW Bud# 666312	360	61,573	0	PT
99.000		UW Bud# 669399	360	16,111	0	PT
99.000		UW Bud# 670896	360	112,497	0	PT
99.000		UW Bud# 800527	360	4,157	0	PT
99.000		C004044	461	84,080	0	PT
99.000		C005025	461	113,368	0	PT
<b>Federal Program 99.000 Total</b>				<b>1,485,696</b>	<b>25,574</b>	
99.999	Miscellaneous, UNKNOWN	None	105	8,638	0	PT
99.999			360	2,705	0	
99.999		None	370	12,749	0	PT
<b>Federal Program 99.999 Total</b>				<b>24,092</b>	<b>0</b>	
<b>Undetermined Fed Agency Total</b>				<b>1,509,788</b>	<b>25,574</b>	
<b>Federal Programs Not Clustered Total</b>				<b>2,931,318,120</b>	<b>683,849,291</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**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		360	678,313	5,997	
10.001			365	1,951,057	96,822	
10.001		010953WA	365	784	0	PT
10.001		010953WA2	365	9,680	0	PT
10.001		389916627	365	9,407	0	PT
10.001		4856	365	9,967	0	PT
10.001		8386	365	19,235	0	PT
<b>Federal Program 10.001 Total</b>				<b>2,678,443</b>	<b>102,819</b>	
<b>Agricultural Research Service Total</b>				<b>2,678,443</b>	<b>102,819</b>	
10.200	Grts - Agri Research - Special		360	558,745	243,384	
10.200			365	3,685,513	1,201,161	
10.200		03002024B00	365	11,313	0	PT
10.200		041535008	365	15,932	0	PT
10.200		2882(6 365)5865	365	1,378	0	PT
10.200		BAK62903	365	34,205	0	PT
10.200		BAK63002	365	93,459	0	PT
10.200		BAK631WSU	365	82,277	0	PT
10.200		BAK79202	365	5,335	0	PT
10.200		BJK78202	365	20,775	0	PT
10.200		BJKD96	365	145,625	0	PT
10.200		C0244AK	365	9	0	PT
10.200		C0263AA	365	(2,389)	0	PT
10.200		C0277AA	365	22,681	0	PT
10.200		C0277JA	365	2,000	0	PT
10.200		C0278AK	365	7,951	0	PT
10.200		C0278AL	365	26,827	0	PT
10.200		C0298AA	365	47,371	0	PT
10.200		C0298FA	365	2,015	0	PT
10.200		C0299AI	365	30,373	0	PT
10.200		C0299AJ	365	24,262	0	PT
10.200		C0299AK	365	63,188	0	PT
10.200		C031553	365	90,507	0	PT
10.200		C031569	365	23,148	0	PT
10.200		C031570	365	8,762	0	PT
10.200		C031712	365	53,548	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**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
10.200	Grts - Agri Research - Special	C031713	365	49,683	0	PT
10.200		C031738	365	11,462	0	PT
10.200		CO278AF	365	5,441	0	PT
10.200		G08805W0198	365	17,346	0	PT
10.200		G15028	365	16,518	0	PT
10.200		G15071	365	53,513	0	PT
10.200		GPk260A	365	83,420	0	PT
10.200		GPk515A	365	65,492	0	PT
10.200		GPk774B	365	46,073	0	PT
10.200		GPk89101A	365	5,894	0	PT
10.200		GUAR30254448	365	5,981	0	PT
10.200		P622720	365	19,375	0	PT
10.200		SA6890	365	32,481	0	PT
10.200		UAF050087	365	8,905	0	PT
10.200		WSU000131	365	8,058	0	PT
10.200		WSU000158	365	2,267	0	PT
10.200		443G450	375	142,896	0	PT
<b>Federal Program 10.200 Total</b>				<b>5,629,615</b>	<b>1,444,545</b>	
10.202	Cooperative Forestry Research		365	156,348	0	
<b>Federal Program 10.202 Total</b>				<b>156,348</b>	<b>0</b>	
10.203	Paymnts to Agric Exper Stations under Hatch Act		365	3,364,398	0	
<b>Federal Program 10.203 Total</b>				<b>3,364,398</b>	<b>0</b>	
10.206	Agri Research- Competitive Res		360	625,157	54,298	
10.206			365	2,345,894	285,121	
10.206		2562220102002	365	3,923	0	PT
10.206		2562220217002	365	11,848	0	PT
10.206		BGK10401	365	8,445	0	PT
10.206		GPk799	365	10,230	0	PT
10.206		Q6736000501	365	110,815	0	PT
<b>Federal Program 10.206 Total</b>				<b>3,116,312</b>	<b>339,419</b>	
10.207	Animal Health & Disease Resch		365	97,000	0	
<b>Federal Program 10.207 Total</b>				<b>97,000</b>	<b>0</b>	
10.219	Biotech Risk Assess Rsch		365	63,661	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**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
<b>Federal Program 10.219 Total</b>				<b>63,661</b>	<b>0</b>	
<b>Coop.State Resch, Educ &amp; Exten Serv Total</b>				<b>12,427,334</b>	<b>1,783,964</b>	
10.652	Forestry Research (B)		360	4,268,343	306,213	
10.652			365	169,849	0	
10.652		OSUAB562030	365	15,342	0	PT
10.652		PG430403	365	6,911	0	PT
10.652			380	18,171	0	
10.652			490	7,435	0	
<b>Federal Program 10.652 Total</b>				<b>4,486,051</b>	<b>306,213</b>	
<b>Forest Service Total</b>				<b>4,486,051</b>	<b>306,213</b>	
10.961	Scientific Cooperation & Research		365	2,682	0	
<b>Federal Program 10.961 Total</b>				<b>2,682</b>	<b>0</b>	
<b>Foreign Agricultural Service Total</b>				<b>2,682</b>	<b>0</b>	
<b>Dept of Agriculture Total</b>				<b>19,594,510</b>	<b>2,192,996</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**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
11.420	Coastal Zone Mgmt Estuarine Rs		365	1,956	0	
11.420			380	19,735	0	
11.420			461	3,226,233	1,470	
<b>Federal Program 11.420 Total</b>				<b>3,247,924</b>	<b>1,470</b>	
11.426	Fin Asst for Natl Ctrs for Coastl Ocean		360	102,716	0	
11.426		Z600894	365	132	0	PT
11.426		Z679784	365	33,411	0	PT
11.426			461	35,279	0	
11.426			477	79,752	0	
<b>Federal Program 11.426 Total</b>				<b>251,290</b>	<b>0</b>	
11.427	Fisheries Devepmnt & Utilizatn		360	151,971	6,104	
11.427			477	127,476	0	
11.427		04-87	477	30,769	0	PT
<b>Federal Program 11.427 Total</b>				<b>310,216</b>	<b>6,104</b>	
11.430	Undersea Research	UAF 04-0110	360	6,351	0	PT
11.430		UAF03-0107/PO#FP400728	360	15,304	0	PT
11.430		UAF030090	365	1	0	PT
11.430		PO#FP504794	380	255	0	PT
<b>Federal Program 11.430 Total</b>				<b>21,911</b>	<b>0</b>	
11.431	Climate & Atmospheric Research		360	72,147	17,045	
<b>Federal Program 11.431 Total</b>				<b>72,147</b>	<b>17,045</b>	
11.432	Off of Oceanic & Atmsphric Resch-JointCoop Instits		360	13,368,663	182,468	
<b>Federal Program 11.432 Total</b>				<b>13,368,663</b>	<b>182,468</b>	
11.433	Marine Fisheries Initiative		365	(710)	0	
<b>Federal Program 11.433 Total</b>				<b>(710)</b>	<b>0</b>	
11.440	Environmntl Sciences, Applications, Data and Educ		360	32,739	0	
<b>Federal Program 11.440 Total</b>				<b>32,739</b>	<b>0</b>	
11.455	Coop Science & Education Pgm		360	660,348	0	
<b>Federal Program 11.455 Total</b>				<b>660,348</b>	<b>0</b>	
<b>Natl Oceanic &amp; Atmospheric Admin (NOAA) Total</b>				<b>17,964,528</b>	<b>207,087</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Year Ended*  
*June 30, 2005*  
*(Expressed in whole dollars)*

**Research and Development**

Dept of Commerce Total

17,964,528

207,087

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Defense**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.000	DOD, Contract Number Only Provided	8211N0001402MD40006	360	56,362		0
12.000		AM07	360	3,511		0
12.000		AM08	360	36,718		0
12.000		DAAD13-03-C-0024	360	300,368		0
12.000		DAAD13-03-C-0024 P5	360	171,315	100,000	
12.000		DAAD19-01-0499 MODP5	360	317,965		0
12.000		DAAD19-01-0499, MODP5	360	68,274		0
12.000		DAAD19-01-1-0499 MOD5	360	507,741		23,560
12.000		DAAD19-01-1-0676 AM06	360	46,302		36,369
12.000		DAAD19-02-1-0242 MODP3	360	70,018		0
12.000		DAAD19-02-1-0309 MO01	360	25		0
12.000		DAAD19-02-1-0344 MODP2	360	151,263		0
12.000		DAAD19-02-1-0344 MODP3	360	171,770		0
12.000		DAAD19-03-2-0031 MOP2	360	112,133		0
12.000		DACA 72-02-C-0040MODP3	360	322,682	142,963	
12.000		DAMD17-01-1-0449	360	51		0
12.000		DAMD17-01-1-0450	360	(16,836)		0
12.000		DAMD17-01-1-0451	360	(3,484)		0
12.000		DAMD17-02-1-0615	360	196,280		0
12.000		DAMD17-02-1-0616	360	47,856		0
12.000		DAMD17-03-1-0033	360	156,840		0
12.000		DAMD17-03-1-0039	360	178,228		0
12.000		DAMD17-03-1-0051	360	184,448		0
12.000		DAMD17-03-1-0203	360	467,087		0
12.000		DAMD17-03-1-0490	360	42,239		0
12.000		DAMD17-03-1-0497	360	202,458		0
12.000		DAMD17-03-1-0580	360	80,436		0
12.000		DAMD17-03-1-0645	360	94,299		0
12.000		DAMD17-03-P-1298 MODP2	360	48,664		0
12.000		DAMD17-03-P-1298&MODP1	360	60,098		0
12.000		DAMD170310045POW23RYX2	360	132,871		0
12.000		F29601-03-M-0132	360	(4,751)		0
12.000		F30602-01-2-0542 MODP4	360	14,714		0
12.000		F33615-99-C-3612 MODP9	360	160,818	160,893	
12.000		F49620-01-1-0364	360	442,889	381,939	
12.000		F49620-01-1-0364 MODP2	360	184,528		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 Defense**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
12.000	DOD, Contract Number Only Provided	F49620-01-1-0364 MODP5	360	150,255		0
12.000		F49620-02-1-0028	360	103,398		0
12.000		F49620-02-1-0129 MODP2	360	121,913		0
12.000		F49620-03-1-0162 P2	360	158,269		0
12.000		FA2521-04-C-0026 P2	360	174,369		0
12.000		FA8750-04-C-0239	360	230,142		0
12.000		FA9451-04-M-0390, AM03	360	71,261		0
12.000		FA9550-04-1-0157 MODP1	360	147,974		0
12.000		FA9550-05-1-0159	360	45,592		0
12.000		FA9550-05-1-0196	360	8,909		0
12.000		H98230-05-C-0442	360	28,587		0
12.000		HR0011-05-1-0016	360	14,527		0
12.000		MDA904-02-C-0446 P0002	360	54,352		0
12.000		MDA904-98-1-0546 MODP1	360	52,569		0
12.000		N00001 03 M 0212	360	(41)		0
12.000		N000014 03 M 0212	360	(429)		0
12.000		N00014-00-1-0652	360	(431)		0
12.000		N00014-01-1-0374	360	1,870,004		0
12.000		N00014-01-1-0374 MODA1	360	3,394		0
12.000		N00014-01-1-0962	360	100,495		0
12.000		N00014-01-1-1084	360	827		0
12.000		N00014-01-G-0460 TO#7	360	(3,239)		0
12.000		N00014-01-G-0460 TO#1	360	18,911		0
12.000		N00014-01-G-0460 TO#4	360	800		0
12.000		N00014-01-G-0460/0001	360	267,386		0
12.000		N00014-01-G-0460/0003	360	1,761		0
12.000		N00014-01-G-0460/0004	360	39,825		0
12.000		N00014-01-G-0460/0005	360	180,369		0
12.000		N00014-01-G-0460/0007	360	214		0
12.000		N00014-01-G-0460/0009	360	331,556		0
12.000		N00014-01-G-0460/0011	360	4,598		0
12.000		N00014-01-G-0460/0012	360	10		0
12.000		N00014-01-G-0460/0013	360	83,764		0
12.000		N00014-01-G-0460/0014	360	148,846		0
12.000		N00014-01-G-0460/0017	360	(1,097)		0
12.000		N00014-01-G-0460/0018	360	145,184		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 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
12.000	DOD, Contract Number Only Provided	N00014-01-G-0460/0019	360	154,699		0
12.000		N00014-01-G-0460/0022	360	29,101		0
12.000		N00014-01-G-0460/0023	360	74,681		0
12.000		N00014-01-G-0460/0025	360	118,330		0
12.000		N00014-01-G-0460/0026	360	8,665		0
12.000		N00014-01-G-0460/0027	360	44,186		0
12.000		N00014-01-G-0460/0028	360	255,376		0
12.000		N00014-01-G-0460/0029	360	71,503		0
12.000		N00014-01-G-0460/0030	360	70,348		0
12.000		N00014-01-G-0460/0031	360	104,233		0
12.000		N00014-01-G-0460/0032	360	120,479		0
12.000		N00014-01-G-0460/0033	360	70,432		0
12.000		N00014-01-G-0460/0034	360	25,683		0
12.000		N00014-01-G-0460/0035	360	7,684		0
12.000		N00014-01-G-0460/0036	360	54,979		0
12.000		N00014-01-G-0460/0037	360	5,415		0
12.000		N00014-01-G-0460/0038	360	34,033		0
12.000		N00014-01-G-0460/0039	360	15,938		0
12.000		N00014-01-G-0460/0040	360	17,098		0
12.000		N00014-01-G-0460/0041	360	576		0
12.000		N00014-01-G-0460/32	360	24,125		0
12.000		N00014-01-G-046014MOD1	360	57,879		0
12.000		N00014-01-G-046023MOD2	360	61,563		0
12.000		N00014-01-G0460/22MOD1	360	3,623		0
12.000		N00014-02-1-0019	360	94,562	(5,000)	
12.000		N00014-02-1-0064	360	150,367	24,790	
12.000		N00014-02-1-0135	360	3,315		0
12.000		N00014-02-1-0142A00001	360	(138)		0
12.000		N00014-02-1-0305	360	181,876		0
12.000		N00014-02-1-0324	360	43,868		0
12.000		N00014-02-1-0341	360	24,745		0
12.000		N00014-02-1-0373	360	77,547		0
12.000		N00014-02-1-0408	360	63,520		0
12.000		N00014-02-1-0638	360	96,351		0
12.000		N00014-02-1-0673	360	77,837		0
12.000		N00014-02-1-0770	360	23,077		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 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
12.000	DOD, Contract Number Only Provided	N00014-02-1-0845	360	19,574	0	
12.000		N00014-03-1-0002	360	18,368	0	
12.000		N00014-03-1-0265 A3	360	(996)	0	
12.000		N00014-03-1-0378	360	55,696	0	
12.000		N00014-03-1-0446	360	27,748	0	
12.000		N00014-03-1-0635	360	54,512	0	
12.000		N00014-03-M-0003	360	6,100	0	
12.000		N00014-05-1-0274	360	189,615	0	
12.000		N00014-97-1-0120	360	44	0	
12.000		N00014-97-1-0132	360	210,816	0	
12.000		N00014-98-1-0182	360	44	0	
12.000		N00014-98-1-0370	360	31,081	0	
12.000		N00014-98-1-0698	360	32,290	0	
12.000		N00014-98-G-0001/0021	360	65,207	0	
12.000		N00014-98-G-0001/0022	360	141,384	0	
12.000		N00014-99-1-0190	360	31,581	0	
12.000		N00014-99-1-0407	360	46,439	0	
12.000		N00014-99-1-0715	360	130,741	0	
12.000		N00014-99-1-0863	360	(50,145)	0	
12.000		N0001497MD40009	360	82,896	0	
12.000		N00024-02-D-6602	360	253,838	0	
12.000		N00024-02-D-6602/0007	360	994,410	0	
12.000		N00024-02-D-6602/0016	360	828	0	
12.000		N00024-02-D-6602/0020	360	75,870	0	
12.000		N00024-02-D-6602/0022	360	3,230	0	
12.000		N00024-02-D-6602/0023	360	152,946	0	
12.000		N00024-02-D-6602/0025	360	563	0	
12.000		N00024-02-D-6602/0026	360	98,125	0	
12.000		N00024-02-D-6602/0030	360	(1,358)	0	
12.000		N00024-02-D-6602/0031	360	2,048	0	
12.000		N00024-02-D-6602/0032	360	116,868	0	
12.000		N00024-02-D-6602/0033	360	262,820	0	
12.000		N00024-02-D-6602/0034	360	9,171	0	
12.000		N00024-02-D-6602/0035	360	104,695	0	
12.000		N00024-02-D-6602/0036	360	520,909	0	
12.000		N00024-02-D-6602/0037	360	30,181	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 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
12.000	DOD, Contract Number Only Provided	N00024-02-D-6602/0038	360	136,848		0
12.000		N00024-02-D-6602/0039	360	116,808		0
12.000		N00024-02-D-6602/0040	360	158,504		0
12.000		N00024-02-D-6602/0041	360	133,246		0
12.000		N00024-02-D-6602/0042	360	74,452		0
12.000		N00024-02-D-6602/0044	360	38,869		0
12.000		N00024-02-D-6602/0045	360	300,243		0
12.000		N00024-02-D-6602/0046	360	69,918		0
12.000		N00024-02-D-6602/0047	360	227,426		0
12.000		N00024-02-D-6602/0048	360	28,865		0
12.000		N00024-02-D-6602/0049	360	106,641		0
12.000		N00024-02-D-6602/0050	360	241,511	104,000	
12.000		N00024-02-D-6602/0051	360	23,728		0
12.000		N00024-02-D-6602/0052	360	64,205		0
12.000		N00024-02-D-6602/0053	360	126,105		0
12.000		N00024-02-D-6602/0054	360	54,828		0
12.000		N00024-02-D-6602/0055	360	61,906		0
12.000		N00024-02-D-6602/0056	360	42,331		0
12.000		N00024-02-D-6602/0057	360	36,190		0
12.000		N00024-02-D-6602/0059	360	4,469		0
12.000		N00024-02-D-6602/0061	360	2,681		0
12.000		N00024-02-D6602/0008-1	360	(12)		0
12.000		N00104 03 P FN96 P1	360	3,346		0
12.000		N00104 03 P FP02 P2	360	9,093		0
12.000		N00104 03 P FP03 P2	360	6,192		0
12.000		N00104-03-M-D274 P4	360	211		0
12.000		N00104-03-M-D512	360	6,879		0
12.000		N00104-03-M-D527 P3	360	6,285		0
12.000		N00104-03-M-D528, MO03	360	12,620		0
12.000		N00104-03-M-D529 P6	360	18,320		0
12.000		N00104-03-M-D755P2	360	80,607		0
12.000		N00104-03-M-D786 P2	360	52,138		0
12.000		N00104-03-M-D787 P4	360	45,774		0
12.000		N00104-03-P-FE61 MOD01	360	(364)		0
12.000		N00104-03-P-FE72	360	(64)		0
12.000		N00104-03-P-FJ34 MOD03	360	9		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 Defense**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
12.000	DOD, Contract Number Only Provided	N00104-03-P-FJ45	360	(13)	0	
12.000		N00104-03-P-FM71	360	132	0	
12.000		N00104-03-P-FN84 P1	360	1,272	0	
12.000		N00104-03-P-FN85	360	1,097	0	
12.000		N00104-03-P-FN86	360	1,702	0	
12.000		N00104-03-P-FN87 P1	360	4,788	0	
12.000		N00104-03-P-FN88 P1	360	3,505	0	
12.000		N00104-03-P-FN90 P1	360	1,806	0	
12.000		N00104-03-P-FN91 P1	360	2,375	0	
12.000		N00104-03-P-FN92 P1	360	3,052	0	
12.000		N00104-03-P-FN93 P1	360	2,857	0	
12.000		N00104-03-P-FN94	360	2,148	0	
12.000		N00104-03-P-FN95 P1	360	2,725	0	
12.000		N00104-03-P-FP04 P2	360	13,052	0	
12.000		N00104-03-PFN89 P1	360	2,752	0	
12.000		N00104-03-W-S366	360	(100)	0	
12.000		N00104-04-M-D213 MOD01	360	(64)	0	
12.000		N00104-04-M-D215 P1	360	45	0	
12.000		N00104-04-M-D271	360	17,474	0	
12.000		N00104-04-M-D295	360	7,576	0	
12.000		N00104-04-P-FA08	360	7,086	0	
12.000		N00104-04-P-FD52	360	5,983	0	
12.000		N00104-04-P-FF27	360	5,749	0	
12.000		N00167-03-D-0024/0001	360	47,741	0	
12.000		N00167-03-D-0024/0002	360	490,976	0	
12.000		N00167-03-D-0024/0003	360	347,136	0	
12.000		N00167-03-D-0024/0004	360	2,065,435	0	
12.000		N00167-03-D-0024/0005	360	34,200	0	
12.000		N00167-03-D-0024/0006	360	238,688	0	
12.000		N00167-03-D-0024/0007	360	11,079	0	
12.000		N00167-03-D-0024/0008	360	78,334	0	
12.000		N00167-03-D-0024/0009	360	85,295	0	
12.000		N00167-03-D-0024/0010	360	67,212	0	
12.000		N00167-03-D-0024/0011	360	588,403	0	
12.000		N00167-03-D-0024/0012	360	447,773	0	
12.000		N00167-98-D-0039/0013	360	77	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
12.000	DOD, Contract Number Only Provided	N00167-98-D-0039/0014	360	66,864	0	
12.000		N00167-98-D-0039/0015	360	78	0	
12.000		N00167-98-D-0039DO0011	360	51	0	
12.000		N00173-03-P-0680 P2	360	18,640	0	
12.000		N00173-03-P-0782	360	13,954	0	
12.000		N00244-04-P-2635	360	14,188	0	
12.000		N00421-01-D-0009/0006	360	(46)	0	
12.000		N00421-01-D-0009/0007	360	9,065	0	
12.000		N00421-01-D-0009/0008	360	15,837	0	
12.000		N47408-00-P-6184	360	(916)	0	
12.000		N66001-02-C-8072 AMP1	360	(1,159)	0	
12.000		N66001-99-2-892401MOD3	360	(1,934)	0	
12.000		N6600102IPA0002	360	54,913	0	
12.000		N66604-05-M-3994	360	1,637	0	
12.000		NOO104-02-M-D537	360	7,817	0	
12.000		NOO104-03-M-D775 P2	360	19,178	0	
12.000		NOO104-03-P-FP05	360	16,933	0	
12.000		W81XWH-04-1-0223	360	79,069	0	
12.000		W81XWH-04-1-0390	360	32,929	0	
12.000		W81XWH-04-1-0561	360	302,782	0	
12.000		W81XWH-04-1-0814	360	53,458	0	
12.000		W81XWH0410198PC030480	360	62,278	0	
12.000		W911NF-05-1-0260	360	18,013	0	
12.000		W911NF-05-1-07176	360	31,590	0	
12.000		W912DW-04-P-0376	360	9,055	0	
12.000		03062	365	(1)	0	PT
12.000		031200244	365	159,954	0	PT
12.000		0496	365	1,437	0	PT
12.000		3024189	365	40,713	0	PT
12.000		400015937	365	39,959	0	PT
12.000		40853CMGC3173	365	75	0	PT
12.000		42090SM	365	263,656	0	PT
12.000		569991	365	22,805	0	PT
12.000		AM6420041	365	29,459	0	PT
12.000		DAAD1600C9215	365	9,903	0	
12.000		DAAD160120001	365	316,541	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
12.000	DOD, Contract Number Only Provided	DAAD1603C0056	365	188,573	0	
12.000		DAAD190010465	365	155	0	
12.000		DAAD190120020	365	277,431	0	
12.000		DACA7202C0031	365	146,860	0	
12.000		DAKF5702C0002	365	90,821	0	
12.000		DASG6002C0001	365	348,838	0	
12.000		DASG6002C0084	365	1,600,366	0	
12.000		F3361502C1292	365	(398)	0	
12.000		GUAR56052071	365	21,709	0	PT
12.000		N0017304MDIPA01	365	11,346	0	
12.000		N0040605P1867	365	7,271	0	
12.000		VAN0001	365	72,215	0	PT
12.000		W912EF04P0067	365	47,803	0	
12.000		WSU000166	365	6,060	0	PT
12.000		WSU000182	365	742	0	PT
12.000		WSU000186	365	13,752	0	
<b>Federal Program 12.000 Total</b>				<b>26,969,174</b>	<b>969,514</b>	
<b>Defense Undetermined Total</b>				<b>26,969,174</b>	<b>969,514</b>	
12.300	Basic & Applied Scientific Research		360	13,492,912	1,160,802	
12.300		04-SC-ONR-1066	360	8,223	0	PT
12.300		A100337	360	20,518	0	PT
12.300		PO 10212040-002	360	91,628	0	PT
12.300		UW Bud# 664546	360	93,527	0	PT
12.300			365	4,632,359	856,171	
12.300		KKK702B	365	29,539	0	PT
12.300		KKK95103A	365	70,368	0	PT
12.300			461	11,446	0	
12.300			477	36,445	0	
<b>Federal Program 12.300 Total</b>				<b>18,486,965</b>	<b>2,016,973</b>	
<b>Dept of Navy Total</b>				<b>18,486,965</b>	<b>2,016,973</b>	
12.420	Military Med Rsch & Develop		360	786,996	47,627	
12.420		02-01-069 MOD04	360	2,028,749	0	PT
12.420		02-01-069, AMEND.#1**	360	86,124	0	PT
12.420		05-201062-01-S1137	360	987	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

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 Med Rsch & Develop	0520106201S1136PO58029	360	11,144	0	PT
12.420		27647-B AM01	360	32,711	0	PT
12.420		DAM17-99-1-9474P538472	360	6,971	0	PT
12.420		DAMD-01-1-0764	360	1,648	0	PT
12.420		DAMD-01-1-0764 AMD#1	360	278	0	PT
12.420		DAMD17-03-2-0033 COREA	360	9,902	0	PT
12.420		DAMD17-03-2-0033 PROJ1	360	79,975	0	PT
12.420		DAMD17-03-2-0033 PROJ2	360	31,973	0	PT
12.420		PRIMEAWDW81XWH042-0012	360	211,585	0	PT
12.420		W81XWH-04-2-0012 AM5&6	360	1,106,840	0	PT
12.420			365	777,610	0	
12.420			370	2,279	0	
12.420			490	7,360	0	
<b>Federal Program 12.420 Total</b>				<b>5,183,132</b>	<b>47,627</b>	
<b>U S Army Medical Command Total</b>				<b>5,183,132</b>	<b>47,627</b>	
12.431	Basic Scientific Research		360	41,333	0	
12.431			365	108,627	0	
<b>Federal Program 12.431 Total</b>				<b>149,960</b>	<b>0</b>	
<b>U S Army Materiel Command Total</b>				<b>149,960</b>	<b>0</b>	
12.630	Basic, Appld & Adv Rsch in Sci & Engin		360	169,539	0	
12.630		0650 300 F486 876	360	19,134	0	PT
12.630			375	295,371	0	
<b>Federal Program 12.630 Total</b>				<b>484,044</b>	<b>0</b>	
<b>Off of the Secretary of Defense Total</b>				<b>484,044</b>	<b>0</b>	
12.800	Air Force Defense Rsrch Sciences		360	400,226	0	
12.800		03-010268	360	23,332	0	PT
12.800		03-010268 MOD01	360	11,563	0	PT
12.800		39383-6864	360	(753)	0	PT
12.800			365	1,398,083	362,407	
12.800		990812	365	(2,642)	0	PT
12.800		S000000377	365	101,730	0	PT
<b>Federal Program 12.800 Total</b>				<b>1,931,539</b>	<b>362,407</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
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**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
<b>Air Force, Materiel Command Total</b>				<b>1,931,539</b>	<b>362,407</b>	
12.910	Research & Technology Develop		360	836,585	21,578	
12.910		5710001484 AMEND# 05	360	21,682	0	PT
12.910		SA020967 AM06	360	207,814	0	PT
<b>Federal Program 12.910 Total</b>				<b>1,066,081</b>	<b>21,578</b>	
<b>Defense Advanced Rsrch Projects Agency Total</b>				<b>1,066,081</b>	<b>21,578</b>	
12.999	DOD, UNKNOWN		350	142,258	0	
12.999			360	769,066	0	
12.999			477	2,259	0	
<b>Federal Program 12.999 Total</b>				<b>913,583</b>	<b>0</b>	
<b>Defense Undetermined Total</b>				<b>913,583</b>	<b>0</b>	
<b>Dept of Defense Total</b>				<b>55,184,478</b>	<b>3,418,099</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
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**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
15.805	Water Resources Resch Institut		365	186,500	0	
<b>Federal Program 15.805 Total</b>				<b>186,500</b>	<b>0</b>	
15.807	Earthquake Hazards Reduction		360	917,991	0	
15.807			375	46,892	0	
<b>Federal Program 15.807 Total</b>				<b>964,883</b>	<b>0</b>	
15.808	Geological Survey - Resrch & Data Acquisition		360	426,095	0	
15.808		040244 UWHERWIG#3	360	86,244	0	PT
15.808			370	26,312	0	
15.808			380	3,360	0	
15.808			461	107,808	0	
15.808			477	12,472	0	
15.808			490	59,511	0	
<b>Federal Program 15.808 Total</b>				<b>721,802</b>	<b>0</b>	
<b>Geological Survey Total</b>				<b>1,873,185</b>	<b>0</b>	
<b>Dept of the Interior Total</b>				<b>1,873,185</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Justice**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
16.560	Nat'l Instit of Justice Rsch, Eval & Devlp Proj Gr		225	107,960	0	
16.560		5-36370	360	(1,573)	0	PT
<b>Federal Program 16.560 Total</b>				<b>106,387</b>	<b>0</b>	
<b>National Institute of Justice Total</b>				<b>106,387</b>	<b>0</b>	
<b>Dept of Justice Total</b>				<b>106,387</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Transportation**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
20.514	Transit Planning & Rsch		380	26,081		0
20.514			405	737,557		0
<b>Federal Program 20.514 Total</b>				<b>763,638</b>		<b>0</b>
<b>Federal Transit Administration Total</b>				<b>763,638</b>		<b>0</b>
<b>Dept of Transportation Total</b>				<b>763,638</b>		<b>0</b>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
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**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
47.000	NSF, Contract Number Only Provided	#378C	360	4,984	0	PT
47.000		00-10-0203-02 MOD03	360	3,039	0	PT
47.000		00-10-0203-02 MOD05	360	27,097	0	PT
47.000		021604-A	360	14,706	0	PT
47.000		030209	360	110,692	0	PT
47.000		1120097-111373 MOD05	360	18,358	0	PT
47.000		14656-87	360	10,092	0	PT
47.000		378C	360	137,767	0	PT
47.000		378CMOD05	360	11,786	0	PT
47.000		4-26187	360	92,385	0	PT
47.000		641F900	360	(5,645)	0	PT
47.000		A100112 AM03	360	(538)	0	PT
47.000		A100224 MOD01	360	(7)	0	PT
47.000		A100416	360	25,418	0	PT
47.000		ARC-0511163	360	409	0	
47.000		CNS0335286 AM01	360	122,573	0	
47.000		DGE9616736AM04	360	603,447	0	
47.000		DGE9616736AM05	360	146,783	0	
47.000		DMS-0351466	360	24,306	0	
47.000		F006212	360	16,463	0	PT
47.000		F008262 AM01	360	91,267	0	PT
47.000		FY2002-002 M3	360	126,987	0	PT
47.000		GA10162-112935 AM02	360	(1,716)	0	PT
47.000		IAS9900969AM01	360	1,040	0	PT
47.000		IBN0207870	360	88,189	0	PT
47.000		NWRA-02-S-061 MOD3	360	25,035	0	PT
47.000		OPP9726113	360	5,748	0	
47.000		OPP9819056AM02	360	2,710	0	
47.000		OR2404-001.01, AM02	360	103,662	0	PT
47.000		P.O. 558793, REV 1	360	6,882	0	PT
47.000		P.O.#546424 REVISION 8	360	74,438	0	PT
47.000		PO245823	360	89,850	0	PT
47.000		SA 3990, AM01	360	4,480	0	PT
47.000		SA 4802	360	1,021	0	PT
47.000		SA3812, AMEND01	360	(3,125)	0	PT
47.000		SA4194, AM01	360	57,167	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
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**Research and Development**

**National Science Foundation**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.000	NSF, Contract Number Only Provided	SA4285PG MOD01	360	34,354	0	PT
47.000		SA4335PG	360	51,863	0	PT
47.000		SA4352PG/PO895257	360	66,627	0	PT
47.000		SA4716	360	11,887	0	PT
47.000		SA4721/PO999075	360	4,647	0	PT
47.000		SA4757	360	36,922	0	PT
47.000		SA4816	360	1,051	0	PT
47.000		TO F001794	360	21,033	0	PT
47.000		UW Bud# 664672	360	5,095	0	PT
47.000		UW Bud# 664680	360	(6,704)	0	PT
47.000		UW Bud# 666352	360	3,978	0	PT
47.000		UW Bud# 666477	360	8,061	0	PT
47.000		UW Bud# 668740	360	679	0	PT
47.000		UW Bud# 670488	360	2,204	0	PT
47.000		1004PS	365	4,632	0	PT
47.000		4153761EY0	365	123	0	PT
47.000		AST0353093	365	312,728	0	
47.000		BES0237201	365	11,949	0	
47.000		ECS0503799	365	93,925	0	
47.000		GUAR38135072	365	61,728	0	PT
47.000		PTA10006621011770	365	16,900	0	PT
47.000		RB12502ST03	365	9,873	0	PT
47.000		WSU000173	365	(91)	0	PT
<b>Federal Program 47.000 Total</b>				<b>2,791,214</b>	<b>0</b>	
47.041	Engineering Grants		360	7,611,887	493,163	
47.041		44771-7473	360	867,595	0	PT
47.041		4936-1	360	(16,874)	0	PT
47.041		GC201-03-Z2406, MOD01	360	50,879	0	PT
47.041		SA4190 AM01	360	58,242	0	PT
47.041		SA4570, AM01	360	51,246	0	PT
47.041		SO774AA,AM03	360	44,973	0	PT
47.041			365	1,473,929	105,926	
47.041		FEK56103A	365	26,619	0	PT
<b>Federal Program 47.041 Total</b>				<b>10,168,496</b>	<b>599,089</b>	
47.049	Mathematical & Physical Sci's		360	11,831,972	1,838,109	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
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**Research and Development**

**National Science Foundation**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.049	Mathematical & Physical Sci's	27618 AM02	360	55,684	0	PT
47.049		494070 AM02	360	21,330	0	PT
47.049		IAS-EHR-0314808	360	154,809	0	PT
47.049		PHY 0301292	360	263,192	0	PT
47.049		PHY9722537AM12	360	(31,268)	0	PT
47.049		T5166178101	360	18,189	0	PT
47.049		UTA05-150	360	20,482	0	PT
47.049			365	1,516,478	0	
47.049		ACK88703A	365	30,166	0	PT
47.049		NONE	365	748	0	PT
47.049		TUL1350203	365	64,170	0	PT
47.049			375	34,166	0	
47.049			380	285,690	0	
<b>Federal Program 47.049 Total</b>				<b>14,265,808</b>	<b>1,838,109</b>	
47.050	Geosciences		360	18,977,487	1,205,598	
47.050		02-026	360	212,961	0	PT
47.050		02-026 MOD02	360	72,789	0	PT
47.050		337, AM03	360	79,481	0	PT
47.050		5-34099-570 AM001	360	38,162	0	PT
47.050		A100373 MO01	360	14,983	0	PT
47.050		F041005	360	39,106	0	PT
47.050		KK4111, MOD02	360	77,589	0	PT
47.050		OCE-02-23951-2, MOD01	360	154,218	0	PT
47.050		PO.# 40000088273 AM04	360	86,710	0	PT
47.050			365	982,992	353,495	
47.050		R272484	365	10,173	0	PT
47.050			375	513,297	0	
47.050		S01-32973	376	24,317	0	PT
47.050			380	875,039	24,575	
47.050		00-118	380	287	0	PT
47.050		A100171	380	19,148	0	PT
47.050		JSAU504	380	5,140	0	PT
47.050		C001015	461	7,755	0	PT
<b>Federal Program 47.050 Total</b>				<b>22,191,634</b>	<b>1,583,668</b>	
47.070	Computer/Info Sci/Engineering		360	10,576,447	680,206	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Research and Development**

**National Science Foundation**

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/Info Sci/Engineering	154-0166	360	44,999	0	PT
47.070		501-1390-01	360	25,423	0	PT
47.070		8203-41832 AM01	360	35,732	0	PT
47.070		ONE (1)	360	7,278	0	PT
47.070		PACI #820 AM03	360	27,209	0	PT
47.070		PO#539927 SUBCONTR AM1	360	26,075	0	PT
47.070		S0790A-A AM02	360	76,573	0	PT
47.070			365	551,818	18,245	
47.070		G33141	365	44,069	0	PT
47.070		NCFACI0203776	365	4,873	0	PT
47.070			376	74,442	0	
<b>Federal Program 47.070 Total</b>				<b>11,494,938</b>	<b>698,451</b>	
47.074	Biological Sciences		360	7,032,143	870,036	
47.074		04-200229-01-S0812	360	20,015	0	PT
47.074		04-SC-NSF-1029	360	149,788	0	PT
47.074		0520022902S100PO573919	360	50,884	0	PT
47.074		054F412	360	159,652	0	PT
47.074		3652TRNS MOD03	360	(13,356)	0	PT
47.074		748-7558-206-2003806	360	121,097	0	PT
47.074		UF03012, AM01	360	42,539	0	PT
47.074			365	4,958,220	470,222	
47.074		03048	365	113,323	0	PT
47.074		200029	365	1,218	0	PT
47.074		GUAR24280143	365	17,073	0	PT
47.074		SA6644	365	3,571	0	PT
47.074			375	318,472	0	
47.074		UTA02-120	375	12,243	0	PT
47.074			376	1,242,568	0	
47.074		K004431-20	376	28,322	0	PT
47.074			380	534,143	0	
<b>Federal Program 47.074 Total</b>				<b>14,791,915</b>	<b>1,340,258</b>	
47.075	Social Behav and Econ Sciences		360	1,911,955	73,675	
47.075		154-1507	360	4,325	0	PT
47.075		31002-B	360	693	0	PT
47.075		Y-03-0003 AM01	360	409	0	PT

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**Research and Development**

**National Science Foundation**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
47.075	Social Behav and Econ Sciences		365	246,599	79,354	
47.075		538817A	365	32	0	PT
47.075		WRE31	365	6,408	0	PT
47.075		WSU000140	365	35,708	0	PT
47.075			375	112,668	0	
47.075			380	130,485	0	
<b>Federal Program 47.075 Total</b>				<b>2,449,282</b>	<b>153,029</b>	
47.076	Educational and Human Resource		360	9,918,291	1,554,054	
47.076		UO 204621 - YEAR 2	360	(3)	0	PT
47.076		UO 204621-YEAR 3	360	5	0	PT
47.076			365	813,887	80,239	
47.076		BLF5107	365	7,742	0	PT
47.076			375	88,108	0	
47.076			376	90,366	0	
47.076			380	2,948,102	49,535	
47.076		10228089	380	19,255	0	PT
47.076		52270A P1623 7811211	380	29,216	0	PT
47.076		SA0106059	380	1,064	0	PT
<b>Federal Program 47.076 Total</b>				<b>13,916,033</b>	<b>1,683,828</b>	
47.078	Polar Programs		360	7,412,562	432,335	
47.078		A100351 MOD1	360	30,103	0	PT
47.078		G-3186-1	360	6,948	0	PT
47.078		G-3186-1/PO#P311822	360	102,357	0	PT
47.078		SA4106-10100, AM01	360	93,492	0	PT
47.078		UW Bud# 669481	360	22,445	0	PT
47.078			365	34,391	0	
47.078			380	67,209	0	
<b>Federal Program 47.078 Total</b>				<b>7,769,507</b>	<b>432,335</b>	
47.999	NSF, UNKNOWN		360	43,664	0	
<b>Federal Program 47.999 Total</b>				<b>43,664</b>	<b>0</b>	
<b>National Science Foundation Total</b>				<b>99,882,491</b>	<b>8,328,767</b>	
<b>National Science Foundation Total</b>				<b>99,882,491</b>	<b>8,328,767</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Research and Development**

**Environmental Protection Agy**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
66.500	Environmental Protection-Consolidated Research		303	300,041	0	
66.500			360	1,973,503	67,610	
66.500		E0101B-A, AMEND #2	360	6,682	0	PT
66.500		F008805,AMD 2	360	18,049	0	PT
66.500			365	886	0	
66.500		02CTS6	365	86,646	0	PT
66.500			380	62,553	0	
66.500			461	285,088	0	
<b>Federal Program 66.500 Total</b>				<b>2,733,448</b>	<b>67,610</b>	
66.509	Science to Achieve Results (STAR) Research Program		360	2,707,086	31,101	
66.509			365	417,894	95,764	
<b>Federal Program 66.509 Total</b>				<b>3,124,980</b>	<b>126,865</b>	
<b>Office of Research &amp; Development Total</b>				<b>5,858,428</b>	<b>194,475</b>	
<b>Environmental Protection Agy Total</b>				<b>5,858,428</b>	<b>194,475</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of 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	Off of Science Financial Assistance Prog		360	15,047,116	34,673	
81.049		61-3226A, AM06	360	69,997	0	PT
81.049		G-3831-1	360	28,036	0	PT
81.049			365	4,966,583	109,318	
<b>Federal Program 81.049 Total</b>				<b>20,111,732</b>	<b>143,991</b>	
<b>Office of Energy Research Total</b>				<b>20,111,732</b>	<b>143,991</b>	
81.086	Conservation Resch/Devlpmt		365	505,468	0	
81.086		R99035	365	34,750	0	PT
<b>Federal Program 81.086 Total</b>				<b>540,218</b>	<b>0</b>	
81.087	Renewable Energy Research	0000042951	365	99,775	0	PT
81.087		WSU000098	365	191,429	0	PT
<b>Federal Program 81.087 Total</b>				<b>291,204</b>	<b>0</b>	
<b>Off of Energy Efficiency &amp; Renewable Energy Total</b>				<b>831,422</b>	<b>0</b>	
81.104	Office of Environmental Cleanup and Acceleration	Q00690	365	10,214	0	PT
<b>Federal Program 81.104 Total</b>				<b>10,214</b>	<b>0</b>	
<b>Office of Environmental Management Total</b>				<b>10,214</b>	<b>0</b>	
81.114	University Reactor Infrastructure & Educ Support	G0070AB	365	64,363	0	PT
<b>Federal Program 81.114 Total</b>				<b>64,363</b>	<b>0</b>	
<b>Office of Nuclear Energy, Science &amp; Technology Total</b>				<b>64,363</b>	<b>0</b>	
<b>Dept of Energy Total</b>				<b>21,017,731</b>	<b>143,991</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
84.133	Natl Inst -Disabty & Rehab Resch		360	2,775,531	9,762	
84.133		990029-UW AM01	360	63,936	0	PT
84.133		UW Bud# 667053	360	(50)	0	PT
84.133		WSU000143	365	104,594	0	PT
<b>Federal Program 84.133 Total</b>				<b>2,944,011</b>	<b>9,762</b>	
<b>Off of Special Education &amp; Rehabilitative Services Total</b>				<b>2,944,011</b>	<b>9,762</b>	
84.220	Internatl Business Ed Centers		360	401,974	0	
<b>Federal Program 84.220 Total</b>				<b>401,974</b>	<b>0</b>	
<b>Office of Postsecondary Education Total</b>				<b>401,974</b>	<b>0</b>	
84.305	Educ Research, Developmt & Dissemination		360	149,514	0	
84.305		5-54313, AMD #03	360	41	0	PT
84.305		147H862	375	47,461	0	PT
<b>Federal Program 84.305 Total</b>				<b>197,016</b>	<b>0</b>	
<b>Office of Educational Research &amp; Improvement Total</b>				<b>197,016</b>	<b>0</b>	
84.324	Research in Special Education		360	1,039,091	65,622	
<b>Federal Program 84.324 Total</b>				<b>1,039,091</b>	<b>65,622</b>	
<b>Off of Special Education &amp; Rehabilitative Services Total</b>				<b>1,039,091</b>	<b>65,622</b>	
<b>Dept of Education Total</b>				<b>4,582,092</b>	<b>75,384</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Health & Human Services Dept

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.103	Food & Drug Admin - Research		360	385,810	33,365	
93.103		FD-R-001661-01	360	4,956	0	PT
<b>Federal Program 93.103 Total</b>				<b>390,766</b>	<b>33,365</b>	
<b>Food &amp; Drug Administration, Public Health Service Total</b>				<b>390,766</b>	<b>33,365</b>	
93.113	Bio Response to Environ Health		360	6,723,912	1,257,508	
93.113		04 102554-03-S0789	360	683,081	0	PT
93.113		04-102554-03-S-0789	360	1,736	0	PT
93.113		05 102554-03-S1029	360	21,520	0	PT
93.113		05 102554-04-S1029	360	227,714	0	PT
93.113		1 U10 ES 11387-01	360	49,080	0	PT
93.113		2003-2554-499063	360	26,188	0	PT
93.113		2003-2738-499161	360	(770)	0	PT
93.113		238017	360	6,683	0	PT
93.113		537908	360	71,158	0	PT
93.113		580344512-01/UFPS0029	360	107,948	0	PT
93.113		1 U19 ES11387-03	360	26,177	0	PT
93.113		SA313832089PG459906AM3	360	62,484	0	PT
93.113		SA3889PG; PO#711688	360	(3)	0	PT
93.113			365	1,276,858	0	
93.113		ABK14704A	365	56,685	0	PT
<b>Federal Program 93.113 Total</b>				<b>9,340,451</b>	<b>1,257,508</b>	
93.114	Applied Toxicolgl Resch & Test		360	374,839	34,314	
93.114		2 R01 ES009718	360	11,230	0	PT
93.114		AGREEMENT S050001 AM01	360	62,669	0	PT
93.114			365	515,915	0	
<b>Federal Program 93.114 Total</b>				<b>964,653</b>	<b>34,314</b>	
93.115	Biometry & Risk Estimation-Env		360	737,147	0	
93.115		2003-1263 AM01	360	(1,039)	0	PT
93.115		PG-4260-01 AM04	360	26,238	0	PT
<b>Federal Program 93.115 Total</b>				<b>762,346</b>	<b>0</b>	
<b>Division of Research Grants, NIH, PHS Total</b>				<b>11,067,450</b>	<b>1,291,822</b>	
93.121	Oral Diseases & Disorders Resc		360	16,000,776	2,969,230	
93.121		3408SC	360	124,273	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**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.121	Oral Diseases & Disorders Resc	B6146038204	360	362,473	0	PT
93.121		HR.7659.111403.UW2	360	3,139	0	PT
93.121		HR.7659.111403.UW3	360	47,273	0	PT
93.121		U6146038203	360	(3,913)	0	PT
93.121		UF01006 MOD03	360	94,487	0	PT
93.121		UW Bud# 670874	360	96,224	0	PT
<b>Federal Program 93.121 Total</b>				<b>16,724,732</b>	<b>2,969,230</b>	
<b>Off of Extramural Rsrch, Nat'l Institutes of Healt Total</b>				<b>16,724,732</b>	<b>2,969,230</b>	
93.135	Health Promo & Disease Prevent		360	2,782,458	849,242	
<b>Federal Program 93.135 Total</b>				<b>2,782,458</b>	<b>849,242</b>	
93.136	Injury Prevnt/Cntrl Rsch/St & Commnty Progs		303	1,523,720	1,042,160	
93.136			360	2,656,076	108,338	
93.136		20845 MOD07	360	26,392	0	PT
93.136		JHU PO# 8208-12075-1	360	20,338	0	PT
<b>Federal Program 93.136 Total</b>				<b>4,226,526</b>	<b>1,150,498</b>	
<b>Centers for Disease Control &amp; Prevention, PHS Total</b>				<b>7,008,984</b>	<b>1,999,740</b>	
93.154	Spcl Intntl Postdr Resch-AIDS		360	28,742	0	
<b>Federal Program 93.154 Total</b>				<b>28,742</b>	<b>0</b>	
<b>Div of Intrnt'l Trng &amp; Rsrch, Nat'l Institutes of Total</b>				<b>28,742</b>	<b>0</b>	
93.155	Rural Health Research Centers		360	656,822	0	
<b>Federal Program 93.155 Total</b>				<b>656,822</b>	<b>0</b>	
<b>Hlth Resources &amp; Services Administration Total</b>				<b>656,822</b>	<b>0</b>	
93.172	Human Genome Research		360	14,886,224	2,573,405	
93.172		008283-01	360	21,095	0	PT
93.172		008283-01, AM01	360	84,246	0	PT
93.172		04-200215-01-S0848	360	3,718	0	PT
93.172		05-200215-02S1028	360	18,936	0	PT
<b>Federal Program 93.172 Total</b>				<b>15,014,219</b>	<b>2,573,405</b>	
<b>Nat'l Ctr for Genome Rsrch, Nat'l Institutes of HI Total</b>				<b>15,014,219</b>	<b>2,573,405</b>	
93.173	Deafness & Communication Disor		360	8,384,745	548,916	
93.173		4000518240	360	44,902	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

Health & Human Services Dept

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.173	Deafness & Communication Disor	4000523511	360	9,520	0	PT
93.173			365	191,310	34,371	
<b>Federal Program 93.173 Total</b>				<b>8,630,477</b>	<b>583,287</b>	
<b>Nat'l Instit on Deafns &amp; Other Comm Disordrs, NIH, Total</b>				<b>8,630,477</b>	<b>583,287</b>	
93.184	Disabilities Prevention		303	456,905	65,399	
93.184			360	26,041	0	
93.184		UW Bud# 667507	360	45,833	0	PT
93.184		531344,531338	370	(1,833)	0	PT
<b>Federal Program 93.184 Total</b>				<b>526,946</b>	<b>65,399</b>	
93.185	Immun Resch, Demo, Public Info	PO # 70264	360	3,714	0	PT
<b>Federal Program 93.185 Total</b>				<b>3,714</b>	<b>0</b>	
<b>Centers for Disease Control &amp; Prevention, PHS Total</b>				<b>530,660</b>	<b>65,399</b>	
93.186	Natl Research Service Award in Primary Care Medicine		360	431,581	0	
<b>Federal Program 93.186 Total</b>				<b>431,581</b>	<b>0</b>	
<b>Bur of Hlth Professions, Hlth Resrcs &amp; Svs Admin, Total</b>				<b>431,581</b>	<b>0</b>	
93.213	Resch & Traing in Complimntry & Altrnate Medicine		360	1,526,136	137,843	
93.213		1 R01 AT002105-01	360	95,474	0	PT
93.213		1 R01 AT002105-02 AM#1	360	23,925	0	PT
93.213		107729-4 AM01	360	38,530	0	PT
93.213		109639-4	360	426,202	0	PT
93.213		H72B12-02	360	(4,209)	0	PT
93.213		H72B12-03	360	(3,996)	0	PT
<b>Federal Program 93.213 Total</b>				<b>2,102,062</b>	<b>137,843</b>	
<b>Office of Alternative Medicine, NIH, PHS Total</b>				<b>2,102,062</b>	<b>137,843</b>	
93.222	Ctrs for Medical Education Research		360	101,094	0	
<b>Federal Program 93.222 Total</b>				<b>101,094</b>	<b>0</b>	
<b>Hlth Resources &amp; Services Administration Total</b>				<b>101,094</b>	<b>0</b>	
93.226	Rsch on Healthcare Costs, Quality & Outcomes		360	3,308,798	468,680	
93.226		106283 AM02	360	(616)	0	PT
93.226		40008	360	54,651	0	PT
93.226		40119-UW	360	15,237	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**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.226	Rsch on Healthcare Costs, Quality &Outcomes	5 R18 11866	360	77,579	0	PT
93.226		5 R18 11866 MOD02	360	33,852	0	PT
93.226		FY04.001.017 AM02	360	8,016	0	PT
93.226		FY05001009UWASHAMD3YR4	360	123,866	0	PT
93.226		HR,7659,123804UW	360	64,874	0	PT
93.226		PG-4218-01 AM02	360	12,543	0	PT
<b>Federal Program 93.226 Total</b>				<b>3,698,800</b>	<b>468,680</b>	
<b>Agency for Health Care Policy &amp; Research, PHS Total</b>				<b>3,698,800</b>	<b>468,680</b>	
93.230	Consolidtd Knowledge Developmt & Applic Prog		300	3,198,447	2,519,115	
93.230			360	690,503	0	
93.230		1 H79 T115917-02	360	88,300	0	PT
93.230		1-H79-T115917-01	360	27,480	0	PT
93.230		GPHPM0027B AM02	360	53,188	0	PT
93.230		GPHPM0027B,AM01	360	14,972	0	PT
<b>Federal Program 93.230 Total</b>				<b>4,072,890</b>	<b>2,519,115</b>	
<b>Subst Abuse &amp; Mentl Hlth Svs Admin, PHS Total</b>				<b>4,072,890</b>	<b>2,519,115</b>	
93.233	National Ctr on Sleep Disorders Research		360	152,300	0	
93.233		1471-27462 PO P980425	360	4,420	0	PT
<b>Federal Program 93.233 Total</b>				<b>156,720</b>	<b>0</b>	
<b>Division of Research Grants, NIH, PHS Total</b>				<b>156,720</b>	<b>0</b>	
93.242	Mental Health Research Grants		300	283	0	
93.242			360	14,316,834	1,064,742	
93.242		030113	360	4,287	0	PT
93.242		0875 G EE631	360	95,175	0	PT
93.242		2-5-34978, AMEND. 5	360	2,125	0	PT
93.242		211291D AM03	360	19,163	0	PT
93.242		2364-UW-DHHS-2988 AM02	360	71,588	0	PT
93.242		90670UW	360	62,603	0	PT
93.242		90670UW, AMEND. #1	360	5,044	0	PT
93.242		AGREEMENT #2 AMEND #5	360	29,385	0	PT
93.242		AGREEMENT #2 AMENDMENT	360	42,421	0	PT
93.242		AGREEMENT #2,AMEND #5	360	106,816	0	PT
93.242		AGREEMENT #2,AMENDMENT	360	19,604	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**

**Health & Human Services Dept**

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	FY04 053 002 AM04	360	47,423	0	PT
93.242		H31544	360	58,214	0	PT
93.242		HR.7659.105604UW02	360	10,717	0	PT
93.242		MH37373-2-5-73129	360	(20,168)	0	PT
93.242		MOD #3	360	108,491	0	PT
93.242		R01 MH065340 MOD#1	360	37,203	0	PT
93.242		UW Bud# 667175	360	(1,930)	0	PT
93.242		Z182801, AM01	360	19,980	0	PT
93.242			365	603,750	0	
93.242			380	24,448	0	
<b>Federal Program 93.242 Total</b>				<b>15,663,456</b>	<b>1,064,742</b>	
<b>Nat'l Institute of Mental Health, NIH, PHS Total</b>				<b>15,663,456</b>	<b>1,064,742</b>	
93.262	Occupatnl Safety and Health Program		235	339,382	0	
93.262			303	74	0	
93.262			360	1,417,676	297,584	
93.262		05-200859-01-S1065	360	92,545	0	PT
93.262		115-9327-01	360	5,717	0	PT
93.262		115-9327-01M1	360	17,504	0	PT
93.262		7382 AM01	360	11,578	0	PT
93.262		UW Bud# 667765	360	4,980	0	PT
93.262			365	445,248	313,027	
<b>Federal Program 93.262 Total</b>				<b>2,334,704</b>	<b>610,611</b>	
<b>Centers for Disease Control &amp; Prevention, PHS Total</b>				<b>2,334,704</b>	<b>610,611</b>	
93.271	Alcohol/Resch Scientist Award		360	149,432	0	
<b>Federal Program 93.271 Total</b>				<b>149,432</b>	<b>0</b>	
93.272	Alcohol Natl Resch Svc Award		360	356,468	0	
<b>Federal Program 93.272 Total</b>				<b>356,468</b>	<b>0</b>	
93.273	Alcohol Research Programs		360	4,742,380	(30,099)	
93.273		2827-UW-DHHS-2529	360	119,769	0	PT
93.273		430-78-12	360	42,046	0	PT
93.273		430-78-12, AM01	360	137,541	0	PT
93.273		53257AP16607804 211CSM	360	16,565	0	PT
93.273		7-48U-7901 MOD 04	360	290	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**

**Health & Human Services Dept**

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	7-48U-7901 MOD 05	360	3,506	0	PT
93.273		FY04. 150.001	360	48,712	0	PT
93.273		L334644	360	14,727	0	PT
93.273			365	496,019	0	
93.273		WSU000004	365	3,787	0	PT
93.273		839178	376	35,662	0	PT
93.273			380	88,811	0	
<b>Federal Program 93.273 Total</b>				<b>5,749,815</b>	<b>(30,099)</b>	
<b>Nat'l Instit on Alcohol Abuse &amp; Alcoholism. NIH, P Total</b>				<b>6,255,715</b>	<b>(30,099)</b>	
93.279	Drug Abuse and Addiction Research Programs	DASA 8376	300	131,497	0	PT
93.279			360	22,880,127	3,957,813	
93.279		04-SC-NIH-1013, MOD01	360	53,962	0	PT
93.279		430-46-16 AM02	360	(481)	0	PT
93.279		520647/PO#0636199	360	2,760	0	PT
93.279		549505	360	190,809	0	PT
93.279			365	333,547	0	
93.279			380	52,262	0	
<b>Federal Program 93.279 Total</b>				<b>23,644,483</b>	<b>3,957,813</b>	
<b>Division of Research Grants, NIH, PHS Total</b>				<b>23,644,483</b>	<b>3,957,813</b>	
93.281	Mntl Hlth Rsch Career/Scientst Devlpmt Awd		360	1,684,925	0	
<b>Federal Program 93.281 Total</b>				<b>1,684,925</b>	<b>0</b>	
93.282	Mntl Hlth Natl Awd-ReschTng		360	595,330	0	
<b>Federal Program 93.282 Total</b>				<b>595,330</b>	<b>0</b>	
<b>Nat'l Institute of Mental Health, NIH, PHS Total</b>				<b>2,280,255</b>	<b>0</b>	
93.286	Discovery & Applied Research for Technical Innovation		360	6,544,153	242,331	
93.286		03-0652	360	8,926	0	PT
93.286		1586/4-29551-10578	360	(177)	0	PT
93.286		1789 RU ACCT# 429620	360	60,583	0	PT
93.286		2003-1328 MOD01	360	90,252	0	PT
93.286		ARIA 07750	360	44,546	0	PT
93.286		G-4628-1, MOD02	360	157,933	0	PT
<b>Federal Program 93.286 Total</b>				<b>6,906,216</b>	<b>242,331</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
<b>Off of Extramural Rsrch, Nat'l Institutes of Healt Total</b>				<b>6,906,216</b>	<b>242,331</b>	
93.333	Clinical Research		360	1,068,344	326,242	
93.333		931-UW1-2001-2006	360	23,909	0	PT
<b>Federal Program 93.333 Total</b>				<b>1,092,253</b>	<b>326,242</b>	
<b>Clinical Research, Nat'l Cntr for Resrch Resrcs, N Total</b>				<b>1,092,253</b>	<b>326,242</b>	
93.361	Nursing Research		360	8,435,333	53,582	
93.361		04-200652-01-S0969	360	49,259	0	PT
93.361		123697	360	(5,995)	0	PT
93.361		2718SC AM03	360	115,073	0	PT
93.361		2718SC-AM02	360	(28,928)	0	PT
93.361		GS0N00135A	360	34,510	0	PT
93.361		NR07787-04	360	25,199	0	PT
93.361		PO 4600412829, AM02	360	41,241	0	PT
93.361			365	47,632	0	
<b>Federal Program 93.361 Total</b>				<b>8,713,324</b>	<b>53,582</b>	
<b>Nat'l Institute of Nursing Research, NIH, PHS Total</b>				<b>8,713,324</b>	<b>53,582</b>	
93.393	Cancer Cause/Prevention Resrch		360	7,406,411	764,969	
93.393		#40038	360	28,358	0	PT
93.393		03-103164-04-S0341	360	(1)	0	PT
93.393		04-102279-04-S0827MOD1	360	11,763	0	PT
93.393		04-102490-03-S0868	360	42,647	0	PT
93.393		04-106157-03-S0910	360	1,813	0	PT
93.393		04-106734-04-S0922	360	4,620	0	PT
93.393		04-200198-01-S0786	360	3,015	0	PT
93.393		05-107656-02-S1046	360	34,576	0	PT
93.393		05-200885-01-S1131	360	6,180	0	PT
93.393		0520089001S1069PO57513	360	9,548	0	PT
93.393		2002-7065-488951 AM03	360	72,589	0	PT
93.393		2003-2490-501628	360	(2)	0	PT
93.393		2003-6157-511333	360	(59)	0	PT
93.393		2003-6739-499159 AM01	360	4,607	0	PT
93.393		40001	360	11,265	0	PT
93.393		5 U01 CA088278-03	360	(21)	0	PT
93.393		5 U01CA 088278-03 MOD1	360	4,577	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 Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Research and Development**

**Health & Human Services Dept**

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/Prevention Resrch	50061 UW-PH	360	138,339	0	PT
93.393		R01 CA54498	360	61,670	0	PT
93.393		SA-0400138	360	14,426	0	PT
93.393		SA0400128	360	3,321	0	PT
93.393		SA0500214	360	22,415	0	PT
93.393		SA0500244	360	16,926	0	PT
93.393			365	248,769	(13)	
<b>Federal Program 93.393 Total</b>				<b>8,147,752</b>	<b>764,956</b>	
93.394	Cancer Detect/Diagnosis Resrch		360	3,636,280	214,495	
93.394		01-335-UW	360	20,893	0	PT
93.394		04-200553-01-S0977	360	13,150	0	PT
93.394		05-200909-01-S1127	360	21,457	0	PT
93.394		2002-6317-495736, AM02	360	7,157	0	PT
93.394		2003-6312-494608 MOD01	360	(32)	0	PT
93.394		900572 MOD02	360	11,669	0	PT
93.394		900573 MOD3	360	16,337	0	PT
<b>Federal Program 93.394 Total</b>				<b>3,726,911</b>	<b>214,495</b>	
93.395	Cancer Treatment Research		360	5,118,444	190,651	
93.395		04-103319-04-S1049	360	36,923	0	PT
93.395		04-104125-05-S0950	360	339,289	0	PT
93.395		04-104161-02-S0849	360	1,461	0	PT
93.395		04-104161-02-S0850	360	3,335	0	PT
93.395		05-104161-03-S1054	360	1,097	0	PT
93.395		05-200728-01-S0994	360	12,403	0	PT
93.395		0510416103S1053PO57369	360	44,134	0	PT
93.395		0520089201S1070PO57589	360	43,521	0	PT
93.395		1722.03	360	(203)	0	PT
93.395		5 R01CA087903PO7047123	360	1,346	0	PT
93.395		F005237, AM04	360	24,481	0	PT
93.395		HR.7659.343605UW01	360	2,232	0	PT
93.395		SA 0400139	360	51,948	0	PT
93.395		SA0500250	360	54,448	0	PT
93.395		SWOG-04022	360	8,277	0	PT
93.395		SWOG-0403	360	47,345	0	PT
93.395		SWOG-05002	360	5,265	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**

**Health & Human Services Dept**

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	SWOG-05016	360	24,827	0	PT
93.395		SWOG-05017	360	4,127	0	PT
93.395		TI-RIVS-FNIH-7701.28	360	5,195	0	PT
93.395		UW Bud# 664052	360	4,987	0	PT
93.395		UW Bud# 667650	360	167	0	PT
93.395		UW Bud# 668443	360	66,332	0	PT
93.395			365	486,903	6,263	
93.395		0410733802S0936	365	129,720	0	PT
93.395		051073380351192	365	18,628	0	PT
93.395		1R01CA10255801A1	365	33,063	0	PT
<b>Federal Program 93.395 Total</b>				<b>6,569,695</b>	<b>196,914</b>	
93.396	Cancer Biology Research		360	5,645,347	1,182,851	
93.396		03-104162-04-S0444 AM2	360	11,675	0	PT
93.396		05-200652-02-S1194	360	16,420	0	PT
93.396		PO NO.29146C/WU-03-122	360	12,260	0	PT
93.396			365	1,121,916	3,000	
<b>Federal Program 93.396 Total</b>				<b>6,807,618</b>	<b>1,185,851</b>	
93.397	Cancer Centers Support		360	1,237,733	543,633	
93.397		03-101025-01-SO726	360	94,444	0	PT
93.397		04-101019-02-S0926	360	204,527	0	PT
93.397		04-102860-05-S0832	360	17,219	0	PT
93.397		04-102860-05-S0834	360	2,975	0	PT
93.397		04-102862-05-S08337	360	126,237	0	PT
93.397		04-102866-05-S0841	360	3,843	0	PT
93.397		04-102866-05-S0842	360	(62)	0	PT
93.397		04-102867-05-S0831	360	65,409	0	PT
93.397		04-102867-05-S0843	360	2,894	0	PT
93.397		04-102869-05-S0857	360	4,834	0	PT
93.397		04-200289-01-S0853	360	9,665	0	PT
93.397		04-200289-01-S0854	360	17,658	0	PT
93.397		04-200306-01-S0923	360	38,350	0	PT
93.397		04-200306-01-S0934	360	3,930	0	PT
93.397		04-200392-02-S0901	360	21,218	0	PT
93.397		04-200393-02-S0883 AM1	360	25,444	0	PT
93.397		04-200416-02-S0919	360	31,337	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**

**Health & Human Services Dept**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.397	Cancer Centers Support	05-101019-03-S1226	360	31,677	0	PT
93.397		05-101025-03-S1224	360	47,356	0	PT
93.397		05-101035-03-S1223	360	27,852	0	PT
93.397		05-101047-03-S1222	360	96,867	0	PT
93.397		05-101150-03-S1220	360	14,865	0	PT
93.397		05-103866-03-S1219	360	70,481	0	PT
93.397		05-200306-02-S1105	360	5,403	0	PT
93.397		05-200312-02-S1052	360	3,081	0	PT
93.397		05-200921-02-S1099	360	13,585	0	PT
93.397		05-200925-02S1100 &AM1	360	11,100	0	PT
93.397		05-200964-01-S1153	360	22,655	0	PT
93.397		0520028902S1057PO57371	360	31,107	0	PT
93.397		0520030602S1098PO57787	360	50,669	0	PT
93.397		0520030602S1104PO78269	360	9,944	0	PT
93.397		0520030802S1058PO57371	360	67,280	0	PT
93.397		0520090003S1227PO58847	360	58,359	0	PT
93.397		0520091902S1087PO57737	360	61,502	0	PT
93.397		0520092802S1101PO57776	360	19,445	0	PT
93.397		0520092902S1102PO57777	360	643	0	PT
93.397		0520093002S1103PO57777	360	12,458	0	PT
93.397		0520097902S1091PO57691	360	895	0	PT
93.397		2002-2862-499207	360	(6)	0	PT
93.397		2002-2869-482493 MOD06	360	(9)	0	PT
93.397		2003-2854-499221	360	11,037	0	PT
93.397		2003-2860-499204	360	(4,911)	0	PT
93.397		2003-2866-499157	360	(1)	0	PT
93.397		3641SC	360	6,655	0	PT
93.397		UW Bud# 669152	360	339	0	PT
93.397		UW-05-200952-01-S1108	360	4,781	0	PT
93.397		UW-05-200953-01-S1119	360	13,676	0	PT
93.397		UW-05-200953-01-S1120	360	22,625	0	PT
93.397		UW0520093601S1111PO579	360	9,918	0	PT
<b>Federal Program 93.397 Total</b>				<b>2,628,983</b>	<b>543,633</b>	
93.398	Cancer Research Manpower		360	4,104,239	187,067	
<b>Federal Program 93.398 Total</b>				<b>4,104,239</b>	<b>187,067</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
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**Research and Development**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.399	Cancer Control		360	1,939,037	131,409	
93.399		00RA7102-UW AMEND A-04	360	(17,698)	0	PT
93.399		00RA7102-UW AMEND#A-05	360	109,968	0	PT
93.399		00RA7102-UW-03 AMA02	360	38,185	0	PT
93.399		03-103832-02-S0715	360	(3,393)	0	PT
93.399		04-102274-05-S1086	360	75,401	0	PT
93.399		04-102649-02-S0913	360	35,536	0	PT
93.399		04-102669-02-S0864	360	4,882	0	PT
93.399		04-102736-02-S0777	360	(4,178)	0	PT
93.399		04-102738-02-S0778	360	770	0	PT
93.399		04-102805-03-S0822	360	3,366	0	PT
93.399		04-103828-03-S0957	360	169,657	0	PT
93.399		04-103832-03-S1124	360	4,054	0	PT
93.399		04-103833-03-S0955	360	29,842	0	PT
93.399		04-103834-03-S0954	360	207,394	0	PT
93.399		04-103835-03-S0956	360	4,238	0	PT
93.399		04-103837-03-S1004	360	103,966	0	PT
93.399		04-103838-03-S1003	360	51,445	0	PT
93.399		04-103839-03-S1166	360	4,218	0	PT
93.399		04-103839-03-S1167	360	6,301	0	PT
93.399		04-105199-02-S0880	360	(1,730)	0	PT
93.399		04-106747-02S0947	360	16,056	0	PT
93.399		04-108123-05-S0780	360	1,595	0	PT
93.399		05-102736-03-S1007	360	264,261	0	PT
93.399		05-102805-04-S01061	360	20,421	0	PT
93.399		0520090601S1088PO57643	360	12,375	0	PT
93.399		2003-3827-499087	360	(1)	0	PT
93.399		2003-3828-499083	360	(7,504)	0	PT
93.399		2003-3828-511949	360	(17,222)	0	PT
93.399		2003-3831-511947	360	(242)	0	PT
93.399		2003-3834-499066	360	(66)	0	PT
93.399		2003-3837-511695	360	(8,812)	0	PT
93.399		2003-3838-511950	360	(145)	0	PT
93.399		2003-3839-504388	360	(2,340)	0	PT
93.399		20104-UW	360	(2,318)	0	PT
93.399		CRN-94016-UW	360	22,913	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**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.399	Cancer Control	K-013506-UW	360	12,494	0	PT
93.399		NWLR-20 AM05	360	22,925	0	PT
93.399		OORA7102-UW-02 AM03	360	832	0	PT
93.399		PCPT 9352	360	13,051	0	PT
93.399		PO5889440510674703S122	360	3,415	0	PT
93.399		SA0400109	360	1,729	0	PT
93.399		SA0400147 P.O.510385	360	7,026	0	PT
93.399		SA0500202	360	7,875	0	PT
93.399		SA0500232	360	8,647	0	PT
93.399		SA0500242	360	7,613	0	PT
93.399		SA0500257	360	2,359	0	PT
93.399		SELECT-04008	360	57,933	0	PT
93.399		UW Bud# 669715	360	11,918	0	PT
93.399		UW Bud# 669716	360	40,728	0	PT
93.399			365	285,951	0	
<b>Federal Program 93.399 Total</b>				<b>3,544,728</b>	<b>131,409</b>	
<b>National Cancer Institute, Nat'l Institutes of Hlt Total</b>				<b>35,529,926</b>	<b>3,224,325</b>	
93.564	Child Support Enforcement - Research		300	31,374	0	
<b>Federal Program 93.564 Total</b>				<b>31,374</b>	<b>0</b>	
93.608	Child Welfare Research & Demo		300	195,642	0	
<b>Federal Program 93.608 Total</b>				<b>195,642</b>	<b>0</b>	
<b>Administration for Children and Families Total</b>				<b>227,016</b>	<b>0</b>	
93.647	Social Services Reserch & Demo		303	212,952	0	
93.647			360	26,681	0	
<b>Federal Program 93.647 Total</b>				<b>239,633</b>	<b>0</b>	
<b>Off of Policy &amp; Evaluation, Adm for Children &amp; Fam Total</b>				<b>239,633</b>	<b>0</b>	
93.779	Ctrs f/ Medicare & Medicaid Services (CMS) Rsch, D		160	270,599	0	
93.779			300	550,787	0	
<b>Federal Program 93.779 Total</b>				<b>821,386</b>	<b>0</b>	
<b>Health Care Financing Administration Total</b>				<b>821,386</b>	<b>0</b>	
93.837	Heart & Vascular Disease Resch		360	38,957,048	2,671,941	
93.837		05-200915-01-S1126	360	44,245	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**

**Health & Human Services Dept**

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	Heart & Vascular Disease Resch	10222708-001	360	11,035		0 PT
93.837		2 FRAM 761-01, AM02	360	605,041		0 PT
93.837		2 R44 HL 07030356	360	19,042		0 PT
93.837		20636-01-01	360	(493)		0 PT
93.837		20636-02-01	360	73,887		0 PT
93.837		20636-03-01	360	284		0 PT
93.837		5 R01 HL 62526-04 AM#2	360	806		0 PT
93.837		500-25 AM07	360	3,380		0 PT
93.837		51544-01-00	360	422		0 PT
93.837		54346 AM01	360	10,080		0 PT
93.837		8402-14575-2 AM01	360	23,794		0 PT
93.837		9-526-4907	360	863		0 PT
93.837		D33109D AM 02	360	27,055		0 PT
93.837		F009109 HR071759, AM01	360	19,405		0 PT
93.837		FY05.001.012 UWASHYR02	360	133,143		0 PT
93.837		HL 12.8044.C-UOFW AM 2	360	399,155		0 PT
93.837		HL/12.8044.B-UOFW	360	209,109		0 PT
93.837		MOA R01HL069003-01A1M1	360	17,336		0 PT
93.837		PO# 0000101389	360	1,029		0 PT
93.837		PO# 754074	360	2,447		0 PT
93.837		PO#40047	360	19,095		0 PT
93.837		R01 HL 073208-AM01	360	31,821		0 PT
93.837		S6636266905	360	23,668		0 PT
93.837		S6636266906	360	22,057		0 PT
93.837		SA-0400090	360	(6,835)		0 PT
93.837		UMMC-02-66141, AM02	360	138,388		0 PT
93.837		UW Bud# 668079	360	140,336		0 PT
93.837		UW Bud# 668188	360	38,290		0 PT
93.837		UW Bud# 668427	360	225,566		0 PT
93.837		UW Bud# 668882	360	7,729		0 PT
93.837		UW Bud# 668883	360	10,041		0 PT
93.837		UW Bud# 669804	360	3,554		0 PT
93.837			365	1,371,220	191,303	
<b>Federal Program 93.837 Total</b>				<b>42,583,043</b>	<b>2,863,244</b>	
93.838	Lung Diseases Research		360	11,478,302	598,042	

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

Health & Human Services Dept

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.838	Lung Diseases Research	00481-05-03	360	27,254	0	PT
93.838		03-0001	360	(1,654)	0	PT
93.838		04-0003	360	67,526	0	PT
93.838		1 R01 HL 072938-01	360	6	0	PT
93.838		106908-1, AMEND #1	360	8,989	0	PT
93.838		106908-2	360	6,949	0	PT
93.838		P.O # 4000088126, AM03	360	31,150	0	PT
93.838		PO# 29161Q / WU-04224	360	269,924	0	PT
93.838		SUBAWRD #7	360	55,948	0	PT
93.838		UW Bud# 664314	360	6,988	0	PT
93.838		UW Bud# 666674	360	3,055	0	PT
93.838		UW Bud# 668844	360	83,222	0	PT
93.838		WFUHS17168	360	101,848	0	PT
<b>Federal Program 93.838 Total</b>				<b>12,139,507</b>	<b>598,042</b>	
93.839	Blood Diseases & Resources Rsc		360	10,692,417	1,532,424	
93.839		04-103544-03-S0914	360	15,840	0	PT
93.839		04-105423-03S0810	360	1,046	0	PT
93.839		05-103544-04-S1175	360	5,280	0	PT
93.839		0510542304S1092PO57750	360	10,694	0	PT
<b>Federal Program 93.839 Total</b>				<b>10,725,277</b>	<b>1,532,424</b>	
<b>Nat'l Heart, Lung &amp; Blood Institute, NIH, PHS Total</b>				<b>65,447,827</b>	<b>4,993,710</b>	
93.846	Arthritis Skin Disease Resch		360	11,258,569	829,191	
93.846		13458140-30300-B	360	24,380	0	PT
93.846		2105088, AM02	360	2,363	0	PT
93.846		2105088, AM03	360	25,736	0	PT
93.846		2105089/R01-AR46077AM1	360	(13,136)	0	PT
93.846		5-30314	360	(183)	0	PT
93.846		8407-50967-X	360	63,928	0	PT
93.846		PER NOGA, SITE #1	360	130,997	0	PT
93.846		SITE 5	360	(4)	0	PT
93.846		SUBAWARD NO. 7	360	4,936	0	PT
93.846			365	197,393	0	
<b>Federal Program 93.846 Total</b>				<b>11,694,979</b>	<b>829,191</b>	
<b>Nat'l Instit of Arthritis &amp; Musculoskeletal &amp; Skin Total</b>				<b>11,694,979</b>	<b>829,191</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Health & Human Services Dept**

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, Endoc & Metabolism		360	11,348,939	1,515,835	
93.847		03-C24	360	(22)	0	PT
93.847		03C21PTA233013CCLS2018	360	990	0	PT
93.847		04-C02	360	438,189	0	PT
93.847		04-D16	360	132,673	0	PT
93.847		04-D16,MOD 1	360	209,225	0	PT
93.847		04E075-U01-DK061055-04	360	155,493	0	PT
93.847		04E08PTA233014CCLS2022	360	202,299	0	PT
93.847		05C02UND5U01DK04848912	360	288,054	0	PT
93.847		70016-048141-100	360	38,116	0	PT
93.847		FY03051003UWAMD2YR3	360	74,369	0	PT
93.847			365	475,395	50,120	
<b>Federal Program 93.847 Total</b>				<b>13,363,720</b>	<b>1,565,955</b>	
93.848	Digestve Disease-Nutritn Resch		360	5,521,424	288,435	
93.848		29450G WU-03-108 AM01	360	40,347	0	PT
93.848		5-52022	360	64,229	0	PT
93.848		GMO 900069, MOD06	360	137,188	0	PT
93.848		J748D, AM NO. 3	360	57,415	0	PT
93.848		NONE, AM04-REVISED	360	78,246	0	PT
93.848		NONE, AM05	360	548,048	0	PT
93.848		PRIMEAWDNO5R0156924-04	360	56,443	0	PT
93.848		S6636457101	360	64,677	0	PT
93.848			365	957,185	35,331	
<b>Federal Program 93.848 Total</b>				<b>7,525,202</b>	<b>323,766</b>	
93.849	Kidney,Urology,Hematology Resc		360	10,226,407	1,519,837	
93.849		2302152	360	123,435	0	PT
93.849		29618S/WU-02-85, AM03	360	366,401	0	PT
93.849		39903-0302 AM006	360	16,709	0	PT
93.849		520638/PO 650227	360	265	0	PT
93.849		522887/PO P525781	360	(10,822)	0	PT
93.849		524580/PO P477547	360	99,972	0	PT
93.849		SA0400126	360	(16,453)	0	PT
93.849		SA0500222	360	229,421	0	PT
93.849		UW Bud# 668667	360	298,106	0	PT
93.849			365	14,800	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
<b>Federal Program 93.849 Total</b>				<b>11,348,241</b>	<b>1,519,837</b>	
<b>Nat'l Instit of Diabetes, Digestive &amp; Kidney Disea Total</b>				<b>32,237,163</b>	<b>3,409,558</b>	
93.853	Extrmurl Resch in Neuroscience & Neurolog Disordrs		360	18,451,284	666,780	
93.853		00RA5135, AM02	360	(2,989)	0	PT
93.853		117006/115709	360	20,923	0	PT
93.853		2085-01 AM 02	360	93,843	0	PT
93.853		2218SC/444927-33503AM2	360	(1)	0	PT
93.853		41507-00 01 A	360	13,860	0	PT
93.853		41507-00 05 A	360	19,554	0	PT
93.853		916-00-1537	360	32,671	0	PT
93.853		9235-R	360	11,961	0	PT
93.853		9235-R, MOD #2	360	131,095	0	PT
93.853		AM04	360	149,472	0	PT
93.853		GPHY00063A, AM01	360	2,725	0	PT
93.853		GPHY00063A, AM03	360	35,240	0	PT
93.853		P.O. 811-66874-8 MOD03	360	67,131	0	PT
93.853		P021-040-N151-1105MOD2	360	35,607	0	PT
93.853		PO #4000507969 AM03	360	45,673	0	PT
93.853		PO #4000517671 AM04	360	204,964	0	PT
93.853		PO 40000507969	360	4,477	0	PT
93.853		PO 40000517671 AMED#04	360	24,862	0	PT
93.853		PO 4600507997	360	31,853	0	PT
93.853		PO 4600507997, AM01	360	189,521	0	PT
93.853		PO#29708M	360	(36)	0	PT
93.853		PO#8111-66874-8	360	13,338	0	PT
93.853		PO10230945AM01	360	15,943	0	PT
93.853		RX 4265-032-UWASH MOD1	360	2,282	0	PT
93.853		SUBGRANT 1, AM02	360	60,151	0	PT
93.853		SUBGRANT 2	360	18,105	0	PT
93.853		UKRF 4-63683-00-324AM4	360	57,871	0	PT
93.853		UW Bud# 666489	360	(774)	0	PT
93.853		UW Bud# 667578	360	13,798	0	PT
93.853		UW-03-65 PO NO. 29325G	360	1,844	0	PT
93.853		UW-04-117 PO NO 29004P	360	26,741	0	PT
93.853		UW-04-150	360	31,079	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Health & Human Services Dept**

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	Extrmurl Resch in Neuroscience & Neurolog Disords		365	1,410,033	0	
93.853		8410671	365	35,785	0	PT
<b>Federal Program 93.853 Total</b>				<b>21,249,886</b>	<b>666,780</b>	
<b>Nat'l Instit of Neurological Disorders &amp; Stroke, N Total</b>				<b>21,249,886</b>	<b>666,780</b>	
93.855	Allergy, Immunology & Transplt		360	7,819,621	594,440	
93.855		HR7659.149405UWON	360	5,650	0	PT
93.855			365	537,985	0	
93.855		406741	365	2,409	0	PT
<b>Federal Program 93.855 Total</b>				<b>8,365,665</b>	<b>594,440</b>	
93.856	Microbio & Infectious Diseases		360	44,350,473	6,161,051	
93.856		#WU-04-40	360	109,579	0	PT
93.856		0254-6831-4609	360	728,670	0	PT
93.856		03-106153-04-S0820	360	(620)	0	PT
93.856		04-103223-03-S0912	360	29,117	0	PT
93.856		04-103864-02-S0975	360	31,940	0	PT
93.856		04-104-823-02-S0916	360	136,744	0	PT
93.856		04-1041269-02-S1090	360	25,604	0	PT
93.856		04-104523-07-S0892	360	81,251	0	PT
93.856		04-104558-05-S0888 AM1	360	11,341	0	PT
93.856		04-104559-04-S0452	360	851	0	PT
93.856		04-104559-05-S0982	360	67,526	0	PT
93.856		04-104820-02-S0915	360	117,133	0	PT
93.856		04-104821-02-S100	360	93,543	0	PT
93.856		04-104825-02-S099	360	100,459	0	PT
93.856		04-104826-02-S0918 AM1	360	189,341	0	PT
93.856		04-104827-02-S0917	360	205,368	0	PT
93.856		04-104848-02-S0958	360	200,218	0	PT
93.856		04-104890-03-S0924	360	18,339	0	PT
93.856		04-104901-05-S0773 A1	360	21,115	0	PT
93.856		04-104901-05-S0773 A2	360	96,850	0	PT
93.856		04-104903-05-S0830	360	27,052	0	PT
93.856		04-104903-05-S0830 AM1	360	115,492	0	PT
93.856		04-104903-05-S0869	360	55,638	0	PT
93.856		04-104907-05-S0774 AM1	360	1,119,941	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.856	Microbio & Infectious Diseases	04-106153-05-S0967	360	467,190	0	PT
93.856		04-108164-04-S0787	360	(7,692)	0	PT
93.856		04-108164-05-S0974	360	41,702	0	PT
93.856		04-108164-05-S0974 A2	360	598,616	0	PT
93.856		04-108281-03-S0943	360	168,524	0	PT
93.856		05-104559-05-S0981	360	128,909	0	PT
93.856		05-104559-05-S1162	360	6,970	0	PT
93.856		05-104821-03-S1202	360	27,077	0	PT
93.856		05-104825-03-S1205	360	39,689	0	PT
93.856		05-104826-03-S1207	360	13,741	0	PT
93.856		05-104827-03-S1209	360	61,726	0	PT
93.856		05-200198-02-S0997	360	140,799	0	PT
93.856		05-200675-01-S0995	360	125,569	0	PT
93.856		051042304S1164PO583312	360	54,125	0	PT
93.856		0510482303S1204PO58766	360	47,887	0	PT
93.856		0510484803S1181PO58640	360	40,069	0	PT
93.856		15093-1009	360	49,972	0	PT
93.856		1556 G FD985	360	4,466	0	PT
93.856		2000-4807-439262	360	(5,664)	0	PT
93.856		2001-104511-457158 AM4	360	1,394	0	PT
93.856		2001-4515-457159 AM006	360	20,916	0	PT
93.856		2001-4517-457160 MOD06	360	(5,124)	0	PT
93.856		2001-4807-462962	360	(3,021)	0	PT
93.856		2001-4827-473005	360	(414)	0	PT
93.856		2002-4807-484857	360	8,685	0	PT
93.856		2002-4822-489110	360	(356)	0	PT
93.856		2003-4823-508845	360	(10,810)	0	PT
93.856		2003-4826-508936 AM01	360	(55,079)	0	PT
93.856		2003-4848-508087	360	(3,831)	0	PT
93.856		2003-4890-510398	360	(272)	0	PT
93.856		2003-4901-497643	360	(1,406)	0	PT
93.856		2003-8281-511591	360	(47,191)	0	PT
93.856		203	360	167,190	0	PT
93.856		203VC0001	360	233,265	0	PT
93.856		203VC010	360	(100,690)	0	PT
93.856		204VC001 AM01	360	157,095	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.856	Microbio & Infectious Diseases	26-3301-6402, MOD#5*	360	95,965	0	PT
93.856		26-3301-6403,MOD06	360	20,967	0	PT
93.856		26-3301-6403,MOD07	360	143,653	0	PT
93.856		26-3301-6411	360	12,902	0	PT
93.856		26-3301-6411, MOD02	360	261,881	0	PT
93.856		26-3301-6490	360	(22,465)	0	PT
93.856		3573SC	360	143,383	0	PT
93.856		3573SC, AMEND#3	360	184,996	0	PT
93.856		40151 MOD06	360	(11,393)	0	PT
93.856		5 PO1 AI-48240, AM04	360	(36)	0	PT
93.856		5 PO1 AI-48240, AM06	360	218,146	0	PT
93.856		8007-31363-1, MOD04	360	50,700	0	PT
93.856		AI37984	360	1,700	0	PT
93.856		DS 589, AM05	360	113,481	0	PT
93.856		DS607 AM03	360	77,347	0	PT
93.856		GMO-401124	360	152,661	0	PT
93.856		P0 8005-26978-5 MOD04	360	29,522	0	PT
93.856		P0129A-01, AM04	360	126,891	0	PT
93.856		PO #29949C WU-04-29	360	4,220	0	PT
93.856		PO #M746822	360	42,992	0	PT
93.856		PO 8005-26978-5 MOD 2	360	(4,488)	0	PT
93.856		PO5876710510482003S120	360	16,811	0	PT
93.856		R01 AI47378	360	15,708	0	PT
93.856		U01 AI46725	360	26,785	0	PT
93.856		UW Bud# 668214	360	146,643	0	PT
93.856		UW Bud# 669621	360	2,380	0	PT
93.856		UW-1065, MOD 1	360	(9,891)	0	PT
93.856		UW-1320, MOD02	360	2,283	0	PT
93.856		UW1503-01 MOD. #5	360	364,316	0	PT
93.856		V01A146702-05	360	8,699	0	PT
93.856		WU-03-45/PO#29780FAM02	360	49	0	PT
93.856		WU-05-03 PO#29664Q	360	2,094	0	PT
93.856			365	1,571,183	0	
93.856		S050053	365	46,604	0	PT
93.856		UFO3039	365	38,589	0	PT
93.856		WU036	365	24,187	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
<b>Federal Program 93.856 Total</b>				<b>54,196,456</b>	<b>6,161,051</b>	
<b>Nat'l Instit of Allergy &amp; Infectious Diseases, NIH Total</b>				<b>62,562,121</b>	<b>6,755,491</b>	
93.859	Pharmacology, Physiology & Biologcl Chem		360	37,041,929	2,800,239	
93.859		04-105432-02-S0817	360	17,897	0	PT
93.859		05-105432-03-S1055	360	108,948	0	PT
93.859		1038499-3-31912	360	162,254	0	PT
93.859		15360-S2 AM04	360	44,744	0	PT
93.859		1990-0815-05	360	49,977	0	PT
93.859		FY04,001.006	360	74,333	0	PT
93.859		FY05,001.014 AM01 YR03	360	16,026	0	PT
93.859		R-2004-001	360	116,055	0	PT
93.859		S0175928	360	17	0	PT
93.859		U54 GM 62119 MOD04	360	382,107	0	PT
93.859		U54 GM62119 MOD2	360	79,027	0	PT
93.859		U54-GM62119 MOD02	360	(6,156)	0	PT
93.859		UW Bud# 668828	360	(2,241)	0	PT
93.859		UW Bud# 668970	360	36,094	0	PT
93.859			365	2,325,870	0	
93.859		20030013	365	129,934	0	PT
93.859		WSU000010	365	361	0	PT
93.859			376	104,612	0	
93.859			380	37,030	31,906	
93.859		1019383/1/22583	380	31,906	0	PT
<b>Federal Program 93.859 Total</b>				<b>40,750,724</b>	<b>2,832,145</b>	
<b>Nat'l Institute of General Medical Sciences, NIH, Total</b>				<b>40,750,724</b>	<b>2,832,145</b>	
93.865	Natl Instit of Child Hlth & Human Devlpmnt Extramural Rsch	5 r01 hd39689-04	300	36,854	0	PT
93.865			360	26,655,560	2,871,060	
93.865		0520052502S1190PO58789	360	4,091	0	PT
93.865		40045	360	16,194	0	PT
93.865		40143	360	1,619	0	PT
93.865		5 K12 HD 00850-17 AM01	360	355	0	PT
93.865		A04738	360	115,371	0	PT
93.865		CSMC PO# 316512	360	48,715	0	PT
93.865		CSMC511681700POJB8031	360	(309)	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Health & Human Services Dept**

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	Natl Instit of Child Hlth & Human Devlpmt Extramural Rsch	FY2001-079, MOD05	360	19,686	0	PT
93.865		HD22657	360	80,872	0	PT
93.865		HR.7659.107400.UW	360	(16,706)	0	PT
93.865		HR.7659.107401UW	360	(237)	0	PT
93.865		HR.7659.107402UW	360	16,943	0	PT
93.865		NIH-HIRSCH-0002	360	23,047	0	PT
93.865		P.S 3748	360	162,410	0	PT
93.865		PN-WILM-FNIH9621.06 M4	360	24,002	0	PT
93.865		PNWILM-FNIH9621.06MOD3	360	43,505	0	PT
93.865		PO # 084657 AM01	360	34,007	0	PT
93.865		PO#22350 AM01	360	19,693	0	PT
93.865		R01 HD 40777 01A2	360	(359)	0	PT
93.865		UW-1061	360	19,029	0	PT
93.865			365	1,355,446	0	
93.865		4600415659	365	193,676	0	PT
93.865		WSU000164	365	31,693	0	PT
<b>Federal Program 93.865 Total</b>				<b>28,885,157</b>	<b>2,871,060</b>	
<b>Nat'l Instit of Child Hlth &amp; Human Devlpmt, NIH, Total</b>				<b>28,885,157</b>	<b>2,871,060</b>	
93.866	Aging Research		360	21,693,878	5,152,678	
93.866		000000	360	(59,809)	0	PT
93.866		04-SC-NIH-1059	360	193,888	0	PT
93.866		08-00-01	360	1,054	0	PT
93.866		109452-1	360	85,439	0	PT
93.866		1595-G-BE093	360	78,815	0	PT
93.866		2803204-S021	360	68,206	0	PT
93.866		472291-04427	360	107,408	0	PT
93.866		5-35436, MO04	360	254,262	0	PT
93.866		5-44030	360	22,491	0	PT
93.866		50051UW	360	474,083	0	PT
93.866		535436MOD#03PO#1157755	360	(15,018)	0	PT
93.866		DHHS-TPSU-UW08055-1264	360	18,023	0	PT
93.866		F004689, AM02	360	(19,744)	0	PT
93.866		F009587 AM01	360	82,994	0	PT
93.866		F009684 AM01	360	319,291	0	PT
93.866		F010747 AM01	360	12,738	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Health & Human Services Dept**

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	F09684 AM02	360	52,242	0	PT
93.866		FY04.001.001	360	1,385	0	PT
93.866		FY05.001.005 AMD1UWYR8	360	460	0	PT
93.866		FY05.001.005AMD1UWYR08	360	164,613	0	PT
93.866		PO #30000416065	360	51,527	0	PT
93.866		PO 102229917 NEW3078	360	35,380	0	PT
93.866		PO 10229917 NEU3079	360	7,956	0	PT
93.866		PO 10229917-001	360	46,831	0	PT
93.866		PO 10229917-002	360	30,679	0	PT
93.866		PO# 535436 MOD#02	360	(68)	0	PT
93.866		R01 AG 23195-02	360	30,758	0	PT
93.866		R01AG23995 SUB3	360	37,395	0	PT
93.866		SPS# 119483/ DS794 AM2	360	33,595	0	PT
93.866		SPS#132271, DS794 AM03	360	7,779	0	PT
93.866		STEPHAN 03 05, MOD02	360	30,351	0	PT
93.866		STEPHAN-03-5	360	37,319	0	PT
93.866		U01 AG06781	360	33,155	0	PT
93.866		UW Bud# 668391	360	17,564	0	PT
93.866			365	62,508	25,754	
93.866		FY2002087M2	365	(416)	0	PT
93.866		FY2002087M3	365	174,748	0	PT
93.866			380	35,409	0	
<b>Federal Program 93.866 Total</b>				<b>24,209,169</b>	<b>5,178,432</b>	
<b>National Institute on Aging, NIH, PHS Total</b>				<b>24,209,169</b>	<b>5,178,432</b>	
93.867	Vision Research		360	9,907,440	154,986	
93.867		5 RO1 EY006069-19	360	14,025	0	PT
93.867		5 RO1 EY006069-20	360	6,924	0	PT
93.867		9-29-03 ADDEND 4-15-03	360	1,293	0	PT
93.867		PO 8310-94436-X	360	(156)	0	PT
93.867		UF03077	360	3,339	0	PT
93.867			365	840,360	48,812	
93.867		J709	365	37,106	0	PT
<b>Federal Program 93.867 Total</b>				<b>10,810,331</b>	<b>203,798</b>	
<b>National Eye Institute, NIH, PHS Total</b>				<b>10,810,331</b>	<b>203,798</b>	

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**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.894	Enviro Sci-Resource/Manpwr Dev		360	3,109,079	43,881	
93.894		SA337032055PGAM01PO531	360	(14)	0	PT
93.894		P0102AB	365	(250)	0	PT
93.894		P0195DA	365	7,500	0	PT
93.894		P019SDA	365	7,500	0	PT
<b>Federal Program 93.894 Total</b>				<b>3,123,815</b>	<b>43,881</b>	
<b>Nat'l Instit of Environmtl Hlth Sci, Nat'l Instits Total</b>				<b>3,123,815</b>	<b>43,881</b>	
93.933	Demonstration Projects for Indian Health	ANTHC-02-U-4060, MOD03	360	17,795	0	PT
<b>Federal Program 93.933 Total</b>				<b>17,795</b>	<b>0</b>	
<b>Indian Health Service, PHS Total</b>				<b>17,795</b>	<b>0</b>	
93.943	Epidem Rsch-AIDS & HIV Infect-Selectd Populat Grps	3149SC AM01	360	3,336	0	PT
<b>Federal Program 93.943 Total</b>				<b>3,336</b>	<b>0</b>	
93.978	PHS-Sex Trans Disease Research		360	456,011	0	
<b>Federal Program 93.978 Total</b>				<b>456,011</b>	<b>0</b>	
<b>Centers for Disease Control &amp; Prevention, PHS Total</b>				<b>459,347</b>	<b>0</b>	
<b>Health &amp; Human Services Dept Total</b>				<b>475,772,680</b>	<b>49,875,479</b>	
<b>Research and Development Total</b>				<b>702,600,148</b>	<b>64,436,278</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Student Financial Aid**

**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	Supplemental Ed Opport Grants		360	2,327,746	0	
84.007			365	987,643	0	
84.007			370	455,684	0	
84.007			375	292,534	0	
84.007			376	283,517	0	
84.007			699	3,446,073	0	
<b>Federal Program 84.007 Total</b>				<b>7,793,197</b>	<b>0</b>	
84.032	Federal Family Education Loans		365	104,794,652	0	AL
84.032			370	45,618,920	0	AL
84.032			376	16,919,608	0	AL
84.032			380	14,628,545	0	AL
84.032			699	68,075,689	0	AL
<b>Federal Program 84.032 Total</b>				<b>250,037,414</b>	<b>0</b>	
84.033	Federal Work-Study Program		360	1,696,411	0	
84.033			365	1,153,018	0	
84.033			370	517,309	0	
84.033			375	388,937	0	
84.033			376	262,445	0	
84.033			380	410,838	0	
84.033			699	4,994,704	0	
<b>Federal Program 84.033 Total</b>				<b>9,423,662</b>	<b>0</b>	
84.038	Federal Perkins Loan Program		360	1,292,239	0	
84.038			360	49,168,385	0	OL
84.038			365	18,550,005	0	OL
84.038			365	94,543	0	
84.038			370	199,773	0	
84.038			370	5,740,470	0	OL
84.038			375	7,165,965	0	OL
84.038			376	3,860,655	0	OL
84.038			380	7,947,237	0	OL
84.038			380	155,171	0	
84.038			699	87,056	0	
84.038			699	3,838,990	0	OL
<b>Federal Program 84.038 Total</b>				<b>98,100,489</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Student Financial Aid**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
84.063	Federal Pell Grant Program		360	18,037,457	0	
84.063			365	13,913,915	0	
84.063			370	8,791,058	0	
84.063			375	6,633,944	0	
84.063			376	4,504,583	0	
84.063			380	7,711,880	0	
84.063			699	104,783,265	0	
<b>Federal Program 84.063 Total</b>				<b>164,376,102</b>	<b>0</b>	
84.268	Federal Direct Student Loans		360	141,611,698	0	AL
84.268			375	40,818,621	0	AL
84.268			380	34,042,734	0	AL
84.268			699	24,927,612	0	AL
<b>Federal Program 84.268 Total</b>				<b>241,400,665</b>	<b>0</b>	
<b>Dept of Education Total</b>				<b>771,131,529</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Student Financial Aid**

**Health & Human Services Dept**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.342	Health Profesnl Student Loans (HPSL / PCL / LDS)		360	7,737,187	0	OL
93.342			360	(393,381)	0	
93.342			365	25,654	0	
93.342			365	2,127,533	0	OL
<b>Federal Program 93.342 Total</b>				<b>9,496,993</b>	<b>0</b>	
93.364	Nursing Student Loans		360	61,135	0	
93.364			360	1,427,142	0	OL
93.364			365	1,102,472	0	OL
93.364			699	5,459	0	OL
<b>Federal Program 93.364 Total</b>				<b>2,596,208</b>	<b>0</b>	
93.925	Scholar Hlth Students - Disadv		360	418,599	0	
93.925			365	31,235	0	
93.925			370	331,092	0	
<b>Federal Program 93.925 Total</b>				<b>780,926</b>	<b>0</b>	
<b>Health &amp; Human Services Dept Total</b>				<b>12,874,127</b>	<b>0</b>	
<b>Student Financial Aid Total</b>				<b>784,005,656</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Food Stamp**

**Dept of Agriculture**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.551	Food Stamps (C)		300	518,739,108	0	NC
<b>Federal Program 10.551 Total</b>				<b>518,739,108</b>	<b>0</b>	
10.561	State Admin Match- Food Stamps		300	43,217,908	2,949,734	
<b>Federal Program 10.561 Total</b>				<b>43,217,908</b>	<b>2,949,734</b>	
<b>Dept of Agriculture Total</b>				<b>561,957,016</b>	<b>2,949,734</b>	
<b>Food Stamp Total</b>				<b>561,957,016</b>	<b>2,949,734</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Emergency Food Assistance**

**Dept of Agriculture**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.568	Temp Emerg Food Assist - Admin		150	1,290,196	1,096,204	
<b>Federal Program 10.568 Total</b>				<b>1,290,196</b>	<b>1,096,204</b>	
10.569	Temp Emergency Food Assist		150	1,945,885	0	NC
<b>Federal Program 10.569 Total</b>				<b>1,945,885</b>	<b>0</b>	
<b>Dept of Agriculture Total</b>				<b>3,236,081</b>	<b>1,096,204</b>	
<b>Emergency Food Assistance Total</b>				<b>3,236,081</b>	<b>1,096,204</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Year Ended*  
*June 30, 2005*  
*(Expressed in whole dollars)*

**Child Nutrition**

**Dept of Agriculture**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.555	Nat'l School Lunch Program (A)		350	185,012,153	154,986,796	
<b>Federal Program 10.555 Total</b>				<b>185,012,153</b>	<b>154,986,796</b>	
<b>Dept of Agriculture Total</b>				<b>185,012,153</b>	<b>154,986,796</b>	
<b>Child Nutrition Total</b>				<b>185,012,153</b>	<b>154,986,796</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**CDBG-Entitlmt & (HUD) Sml Cities**

**Housing & Urban Development**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
14.218	Commun Dev Blk Grts/Entitlmt	OPR200583	365	17,379	0	PT
14.218		536460	370	8,391	0	PT
<b>Federal Program 14.218 Total</b>				<b>25,770</b>	<b>0</b>	
<b>Housing &amp; Urban Development Total</b>				<b>25,770</b>	<b>0</b>	
<b>CDBG-Entitlmt &amp; (HUD) Sml Cities Total</b>				<b>25,770</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Fish & Wildlife**

**Dept of the Interior**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
15.605	Sport Fish Restoration		477	5,756,431		0
<b>Federal Program 15.605 Total</b>				<b>5,756,431</b>		<b>0</b>
15.611	Wildlife Restoration		477	4,908,193		0
<b>Federal Program 15.611 Total</b>				<b>4,908,193</b>		<b>0</b>
<b>Dept of the Interior Total</b>				<b>10,664,624</b>		<b>0</b>
<b>Fish &amp; Wildlife Total</b>				<b>10,664,624</b>		<b>0</b>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Employment Services**

**Dept of Labor**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
17.207	Employment Service		540	15,277,472	0	
<b>Federal Program 17.207 Total</b>				<b>15,277,472</b>	<b>0</b>	
17.801	Disabled Vets Outreach Program		540	2,856,297	0	
<b>Federal Program 17.801 Total</b>				<b>2,856,297</b>	<b>0</b>	
17.804	Local Vets Emplmnt Repres Pgm		540	2,004,561	0	
<b>Federal Program 17.804 Total</b>				<b>2,004,561</b>	<b>0</b>	
<b>Dept of Labor Total</b>				<b>20,138,330</b>	<b>0</b>	
<b>Employment Services Total</b>				<b>20,138,330</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**WIA**

**Dept of Labor**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
17.258	WIA Adult Program		540	38,653,213	32,869,212	
17.258		Local	540	3,128,073	0	PT
17.258		03-SPSCC-IW1	699	18,509	0	PT
17.258		111-4M05	699	8,389	0	PT
17.258		145-111-3285	699	61,801	0	PT
17.258		6110-7624-15	699	2,691	0	PT
17.258		KC-135-04	699	24,772	0	PT
17.258		KC-295-04	699	66,836	0	PT
17.258		WDC-LF042 Mod#1	699	170,151	0	PT
<b>Federal Program 17.258 Total</b>				<b>42,134,435</b>	<b>32,869,212</b>	
17.259	WIA Youth Activities		540	20,993,085	20,993,085	
17.259		Local	540	1,131,892	0	PT
17.259		0304-09	699	5,285	0	PT
17.259		6110-7624-15	699	2,691	0	PT
<b>Federal Program 17.259 Total</b>				<b>22,132,953</b>	<b>20,993,085</b>	
17.260	WIA Dislocated Workers		354	372,207	0	
17.260		WSU000113	365	9,002	0	PT
17.260			540	33,108,231	31,878,870	
17.260		Local	540	8,947,190	0	PT
17.260			699	91,270	0	
17.260		02-CAP-04	699	28,943	0	PT
17.260		0405-59	699	62,873	0	PT
17.260		145-111-3281	699	54,027	0	PT
17.260		145-111-3282	699	56,278	0	PT
17.260		6110-7624-15	699	2,691	0	PT
17.260		WDC-AF034	699	32,671	0	PT
17.260		WDC-LF042/AF046	699	27,117	0	PT
17.260		WDC-LF046 Mod#1	699	255,184	0	PT
<b>Federal Program 17.260 Total</b>				<b>43,047,684</b>	<b>31,878,870</b>	
<b>Dept of Labor Total</b>				<b>107,315,072</b>	<b>85,741,167</b>	
<b>WIA Total</b>				<b>107,315,072</b>	<b>85,741,167</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Federal Transit**

**Dept of Transportation**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
20.500	Federal Transit-Capital Investmmt Grants		405	19,806,764	1,344,851	
<b>Federal Program 20.500 Total</b>				<b>19,806,764</b>	<b>1,344,851</b>	
20.507	Federal Transit-Formula Grants	GCA2899	405	16,304	0	PT
<b>Federal Program 20.507 Total</b>				<b>16,304</b>	<b>0</b>	
<b>Dept of Transportation Total</b>				<b>19,823,068</b>	<b>1,344,851</b>	
<b>Federal Transit Total</b>				<b>19,823,068</b>	<b>1,344,851</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Highway Safety**

**Dept of Transportation**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
20.600	State & Community Hghwy Safety		228	2,662,434	1,313,623	
<b>Federal Program 20.600 Total</b>				<b>2,662,434</b>	<b>1,313,623</b>	
20.601	Alcohol Traffic Safety&Drunk Drvg Prevention		228	1,565,887	1,487,224	
<b>Federal Program 20.601 Total</b>				<b>1,565,887</b>	<b>1,487,224</b>	
20.602	Occupant Protection		228	549,851	549,851	
<b>Federal Program 20.602 Total</b>				<b>549,851</b>	<b>549,851</b>	
20.603	Fed Highway Safety Data Improvmnts Incentive Grnts		228	201,845	201,845	
<b>Federal Program 20.603 Total</b>				<b>201,845</b>	<b>201,845</b>	
20.604	Safety Incentive Grnts for Use of Seatbelts		228	3,086,284	3,014,695	
<b>Federal Program 20.604 Total</b>				<b>3,086,284</b>	<b>3,014,695</b>	
<b>Dept of Transportation Total</b>				<b>8,066,301</b>	<b>6,567,238</b>	
<b>Highway Safety Total</b>				<b>8,066,301</b>	<b>6,567,238</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Special Education (IDEA)**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
84.027	Special Ed - State Grants		350	195,177,793	189,478,398	
<b>Federal Program 84.027 Total</b>				<b>195,177,793</b>	<b>189,478,398</b>	
84.173	Special Ed - Preschool Grants		350	8,541,772	8,204,481	
<b>Federal Program 84.173 Total</b>				<b>8,541,772</b>	<b>8,204,481</b>	
<b>Dept of Education Total</b>				<b>203,719,565</b>	<b>197,682,879</b>	
<b>Special Education (IDEA) Total</b>				<b>203,719,565</b>	<b>197,682,879</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington  
 Schedule of Expenditures of Federal Awards

For the Year Ended  
 June 30, 2005  
 (Expressed in whole dollars)

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		360	422,800	0	
84.042			365	229,979	0	
84.042			370	407,315	0	
84.042			375	239,448	0	
84.042			376	268,482	0	
84.042			699	4,641,615	0	
<b>Federal Program 84.042 Total</b>				<b>6,209,639</b>	<b>0</b>	
84.044	TRIO - Talent Search		360	255,923	0	
84.044			699	1,087,475	0	
<b>Federal Program 84.044 Total</b>				<b>1,343,398</b>	<b>0</b>	
84.047	TRIO - Upward Bound		360	416,819	0	
84.047			365	656,065	0	
84.047			376	523,039	0	
84.047			699	1,873,784	0	
<b>Federal Program 84.047 Total</b>				<b>3,469,707</b>	<b>0</b>	
84.066	TRIO - Educational Opportunity Centrs		360	288,986	0	
84.066			375	244,092	0	
<b>Federal Program 84.066 Total</b>				<b>533,078</b>	<b>0</b>	
84.217	TRIO-McNair Post-Baccalaureate Achv		360	189,386	0	
84.217			365	216,701	0	
84.217			370	232,261	0	
84.217			375	(338)	0	
<b>Federal Program 84.217 Total</b>				<b>638,010</b>	<b>0</b>	
84.344	TRIO - Dissemination Partnership Grants		699	395,514	0	
<b>Federal Program 84.344 Total</b>				<b>395,514</b>	<b>0</b>	
<b>Dept of Education Total</b>				<b>12,589,346</b>	<b>0</b>	
<b>TRIO Total</b>				<b>12,589,346</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
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(Expressed in whole dollars)*

**Aging**

**Health & Human Services Dept**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.044	Spec Pgms Aging Title III Pt B		300	7,638,345	7,271,445	
<b>Federal Program 93.044 Total</b>				<b>7,638,345</b>	<b>7,271,445</b>	
93.045	Spec Pgms Aging Title III Pt C		300	8,263,921	8,178,984	
<b>Federal Program 93.045 Total</b>				<b>8,263,921</b>	<b>8,178,984</b>	
93.053	Nutritional Services Incentive Program		300	1,853,808	1,853,808	
<b>Federal Program 93.053 Total</b>				<b>1,853,808</b>	<b>1,853,808</b>	
<b>Health &amp; Human Services Dept Total</b>				<b>17,756,074</b>	<b>17,304,237</b>	
<b>Aging Total</b>				<b>17,756,074</b>	<b>17,304,237</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**CCDF**

**Health & Human Services Dept**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.575	Child Care & Dev-Block Gmt		300	158,660,528	0	
93.575		03-11-031, MOD01	360	60,633	0	PT
93.575		831-7558-223-2094226	360	32,652	0	PT
93.575		WSU000082	365	330	0	PT
93.575		WSU000103	365	9	0	PT
93.575		WSU000155	365	38,005	0	PT
93.575		WSU000156	365	36,292	0	PT
<b>Federal Program 93.575 Total</b>				<b>158,828,449</b>	<b>0</b>	
93.596	Child Care Mandatory & Matching Funds		300	71,060,144	0	
93.596		WSU000146	365	22,403	0	PT
<b>Federal Program 93.596 Total</b>				<b>71,082,547</b>	<b>0</b>	
<b>Health &amp; Human Services Dept Total</b>				<b>229,910,996</b>	<b>0</b>	
<b>CCDF Total</b>				<b>229,910,996</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Medicaid**

**Health & Human Services Dept**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.775	State Medicaid Fraud Control		100	1,245,129	0	
<b>Federal Program 93.775 Total</b>				<b>1,245,129</b>	<b>0</b>	
93.777	Hlth Care Prvdrs Srvy & Certif		300	6,893,515	0	
93.777			303	1,045,744	0	
<b>Federal Program 93.777 Total</b>				<b>7,939,259</b>	<b>0</b>	
93.778	Medical Assistance Program		300	3,091,803,655	62,638,733	
93.778			305	3,587,768	0	
<b>Federal Program 93.778 Total</b>				<b>3,095,391,423</b>	<b>62,638,733</b>	
<b>Health &amp; Human Services Dept Total</b>				<b>3,104,575,811</b>	<b>62,638,733</b>	
<b>Medicaid Total</b>				<b>3,104,575,811</b>	<b>62,638,733</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Year Ended*  
*June 30, 2005*  
*(Expressed in whole dollars)*

**Schools & Roads**

**Dept of Agriculture**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.665	School & Roads Grants to State		005	40,994,371	0	
<b>Federal Program 10.665 Total</b>				<b>40,994,371</b>	<b>0</b>	
<b>Dept of Agriculture Total</b>				<b>40,994,371</b>	<b>0</b>	
<b>Schools &amp; Roads Total</b>				<b>40,994,371</b>	<b>0</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Disability Insurance/SSI**

**Social Security Administration**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
96.001	Social Sec-Disability Ins		300	37,582,178	0	
<b>Federal Program 96.001 Total</b>				<b>37,582,178</b>	<b>0</b>	
<b>Social Security Administration Total</b>				<b>37,582,178</b>	<b>0</b>	
<b>Disability Insurance/SSI Total</b>				<b>37,582,178</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Highway Planning & Construction**

**Dept of Transportation**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
20.205	Highway Planning & Constructn	S040047	365	17,948	0	PT
20.205		536730	370	73	0	PT
20.205			405	596,949,454	188,233,322	
<b>Federal Program 20.205 Total</b>				<b>596,967,475</b>	<b>188,233,322</b>	
<b>Dept of Transportation Total</b>				<b>596,967,475</b>	<b>188,233,322</b>	
<b>Highway Planning &amp; Construction Total</b>				<b>596,967,475</b>	<b>188,233,322</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Year Ended*  
*June 30, 2005*  
*(Expressed in whole dollars)*

**Public Works & Economic Development**

**Dept of Commerce**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
11.300	Grnts for Public Works & Econ Developmt Facilities		380	188,612	0	
<b>Federal Program 11.300 Total</b>				<b>188,612</b>	<b>0</b>	
<b>Dept of Commerce Total</b>				<b>188,612</b>	<b>0</b>	
<b>Public Works &amp; Economic Development Total</b>				<b>188,612</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Native American Employment and Training**

**Health & Human Services Dept**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93,914	HIV Emergency Relief Project Grant	D30917D	360	(6,697)	0	PT
<b>Federal Program 93,914 Total</b>				<b>(6,697)</b>	<b>0</b>	
<b>Health &amp; Human Services Dept Total</b>				<b>(6,697)</b>	<b>0</b>	
<b>Native American Employment and Training Total</b>				<b>(6,697)</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Year Ended  
June 30, 2005  
(Expressed in whole dollars)*

**Homeland Security**

**Homeland Security**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
97.004	State Domestic Preparedness Equipt Supprt Prog		245	8,093,765	7,549,217	
<b>Federal Program 97.004 Total</b>				<b>8,093,765</b>	<b>7,549,217</b>	
<b>Homeland Security Total</b>				<b>8,093,765</b>	<b>7,549,217</b>	
<b>Homeland Security Total</b>				<b>8,093,765</b>	<b>7,549,217</b>	

**Total Federal Assistance**

**9,586,533,835**

**1,474,379,947**

Footnotes:

NC - Expenditure amount noncash in nature

PT - Expenditure, Pass-through in nature (federal funds received through another nonfederal entity).

AL - Loan Amount (total annual loan issuance activity).

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



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**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Notes A - E**

*For the Fiscal Year Ended  
June 30, 2005  
(Expressed in Whole Dollars)*

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Note A: **Purpose of the Schedule**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the State's basic financial statements and is presented for purposes of additional analysis. The Schedule is required by the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note B: **Significant Accounting Policies**

Note B1: **Basis of Presentation** - The information in the Schedule is presented in accordance with OMB Circular A-133.

- 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 Circular A-133, 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 food stamps, 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. Solicited contracts between the State and federal agencies for which the State provides tangible goods or services, acting as a vendor, are not considered to be federal assistance.
- Catalog of Federal Domestic Assistance (CFDA) - OMB Circular A-133 requires the Schedule to show total expenditures for each of the State's federal assistance programs as identified in the CFDA. The Federal Single Audit Clearinghouse has modified several of the CFDA programs for reporting purposes. The Schedule includes those modifications.
- 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. Federal assistance programs and awards which have not been assigned a CFDA number, but have a grant award or agreement number, are assigned a five digit code consisting of the first two digits indicating federal agency and the last three digits all zeros. Where no CFDA number has been identified and no award or agreement number was identifiable, a five-digit code consisting of two digits indicating federal agency followed by three nines, is displayed on the Schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Notes A - E**

*For the Fiscal Year Ended*  
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- Cluster of Programs - Closely related programs with different CFDA numbers that share common compliance requirements are to be considered a cluster of programs. The only program clusters presented on the Schedule are those mandated by OMB in the most recent Circular A-133 *Compliance Supplement* (July 2005). No expenditures of federal awards were recorded in six of the mandated clusters in the report year:
  1. Rural Rental Housing
  2. Section 8 Project-Based
  3. National Farmworker Jobs Program
  4. Bilingual Education
  5. Foster Grandparent/Senior Companion
  6. Foreign Food Aid Donation

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."

Note B2: Reporting Entity - The State reporting entity is fully described in Note 1A of the State's basic financial statements. The Schedule includes all federal assistance programs administered by the State for the fiscal year ended June 30, 2005.

Note B3: Basis of Accounting - Federal assistance programs included in the Schedule are reported in the State's basic 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 of the State's basic 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. Reimbursement of state central service costs, achieved via the federally approved Statewide Central Services Cost Allocation Plan, is not reflected on the Schedule. No expenditures are recorded in the state operating agencies and institutions. A total of \$ 1,316,847 was recovered for state central service costs for the year ended June 30, 2005.
- Matching Costs - The Schedule does not include matching expenditures with the exception specified in Note C.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Notes A - E**

*For the Fiscal Year Ended*  
*June 30, 2005*  
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- Non-monetary Assistance - The Schedule contains values for several non-monetary assistance programs (identified with an NC).
  1. The **Food Stamp** program is administered through Electronic Benefit cards that provide each eligible client with an authorized limit of service (purchase of specific food products). The dollar expenditure reported for the Food Stamp program consists of actual disbursements for client purchases of authorized food products via the EBT card program.
  2. The **Commodities and Immunization Vaccine** 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 23.3% of the property's original acquisition value.
- Endowment, Loan and Loan Guarantee Programs – Additional information on federal endowment, federal loan, and federal loan guarantee programs is included in Footnote G. Amounts in Footnote G included in the Schedule of Expenditures of Federal Awards are indicated with a (s).
- Indirect (Pass-Through) Federal Assistance - The majority of the State's federal assistance is received directly from federal awarding agencies (i.e., the State is the primary recipient). However, agencies and institutions of the State 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.
- Federal Transactions Between State Agencies and Institutions - Some state agencies and institutions subaward federal assistance to other state agencies or institutions (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 basic 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.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Notes A – E**

*For the Fiscal Year Ended*  
*June 30, 2005*  
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Note B4: Presentation Comments

- Private company rebate activity is no longer included on the Schedule of Expenditures of Federal Awards. Due to the significance of the resources provided by this rebate activity, the following amounts are disclosed for the fiscal year ending June 30, 2005:

10.557 - Special Supplemental Nutrition Program for WIC.....\$23,331,401  
 (Infant Formula rebates provided by private companies)

93.917 – HIV Care..... \$3,042,499  
 (Immunization rebates provided by private pharmaceutical companies)

- 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: **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, include:

State or Washington/Employer Funded.....	\$ 813,403,346
Federal Funds.....	<u>114,340,488</u>
Total	\$ 927,743,834

Note D: **Non-monetary Assistance Inventory**

As described previously in Note B3, non-monetary assistance is reported in the Schedule based on the amount disbursed. As of June 30, 2005, the following inventories of non-monetary assistance existed:

<u>Assistance</u>	<u>Inventory Balance</u> <u>June 30, 2005</u>
Food Commodities (10.550).....	\$ 2,923,266
Temp. Emergency Food Assistance (10.569).....	347,015
Immunization Supplies (93.268).....	<u>1,206,653</u>
Total	\$ 4,476,934

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Notes A – E**

*For the Fiscal Year Ended*  
*June 30, 2005*  
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Note E:            **Other Footnote Designations**

The following footnote codes are utilized in the Schedule of Expenditures of Federal Awards (far right column):

NC - Non-cash expenditures.

PT - Pass Through (expenditures of resources received from a nonfederal entity outside of the State entity which the nonfederal entity recognized as federal assistance).

AL - Value of loans made during the year.

OL - Value of new loans made during the year plus balance of loans from previous years, net of payments to date, for which the federal government imposes continuing compliance requirements.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Note F:**  
**Supplemental Information for Pass-Through Funds**

*For the Year Ended  
June 30, 2004  
(Expressed in whole dollars)*

<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
03.301	360	FLORIDA STATE U	R00403	666
03.312	360	FLORIDA STATE UNIVERSI	A14629	-1,554
03.312	360	FLORIDA STATE UNIVERSI	P.O. #A14629, CO01	11,898
03.312	360	Florida State Universi	P.O. #A14629, R00304	67,000
05.000	085	Oregon State University	PA-24135-02	1,045
06.000	360	CORNELL UNIVERSITY	44996-7635	40,042
06.129	365	HUMANITIES WASHINGTON-FED FLOW	3480GF04	4,950
06.129	370	Humanities Washington	531733	4,500
06.129	699	Humanities Washington	3346-GS04	6,612
06.149	360	UNIVERSITY OF OREGON S	X0053B-H	462
06.149	365	OREGON STATE UNIVERSITY - FED	X0053BJ	7,637
06.149	380	Oregon State University	X0053B-E	7,446
07.000	080	ESD #105	9919	40,000
07.000	225	National Marj Initi-San Diego PD	C050578FED	41,761
10.000	360	CRADLE OF FORESTRY INT	UW Bud# 668737	136,620
10.000	360	SIBCR	2004-04329	31,761
10.000	365	CITRUS RESEARCH BOARD-FED FLOW	WSU000130	-313
10.000	365	N CAROLINA STATE UNIV	GUAR24280139	25,746
10.000	365	NW HORTICULTURE COUNCIL	GUAR36435190	5,075
10.000	365	OH ST UNIV RES FOUND--FED FLOWTH	745453	9,637
10.000	365	OHIO ST UNIV EXTENSION - FED FL	RF00916678	6
10.000	365	PALOUSE GRAIN GROWERS - FED FLOW	WSU000157	13,308
10.000	365	PEND OREILLE COUNTY - FED FLOWTH	A200401	3,934
10.000	365	PIERCE COUNTY--FED FLOWTHROUGH	WSU000159	22,871
10.000	365	PIERCE COUNTY--FED FLOWTHROUGH	WSU000168	19,064
10.000	365	UNIV OF CA-BERKELEY - FED FLOW	SA3262	59,760
10.000	365	UNIV OF MARYLAND - FED FLOWTHR	CA0411	13,196
10.000	365	UNIVERSITY OF CALIF DAVIS FED	0200298V	738

**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Note F:**  
**Supplemental Information for Pass-Through Funds**

*For the Year Ended  
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<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
10.000	365	UNIVERSITY OF CALIF DAVIS FED	0300902V	5,369
10.000	365	UNIVERSITY OF CALIF DAVIS FED	0300903V	2,823
10.000	365	UNIVERSITY OF CALIF DAVIS FED	0300904V	-2
10.000	365	UNIVERSITY OF CALIF DAVIS FED	0300905V	1,667
10.000	365	UNIVERSITY OF CALIF DAVIS FED	04011ETX	2,000
10.000	365	UNIVERSITY OF CALIF DAVIS FED	04012ETX	8,916
10.000	365	UNIVERSITY OF CALIF DAVIS FED	04015ETX	25,035
10.000	365	UNIVERSITY OF CALIF DAVIS FED	04025ETX	8,810
10.000	365	UNIVERSITY OF CALIF DAVIS FED	200101ETX	11,718
10.000	365	UNIVERSITY OF CALIF DAVIS FED	93001ETX	4,709
10.000	365	UNIVERSITY OF CALIF DAVIS FED	9309ETX	8,411
10.000	365	UNIVERSITY OF CALIF DAVIS FED	9901707V	198
10.000	365	UTAH STATE UNIV - FED FLOWTHR	C023073	15,530
10.000	365	UTAH STATE UNIV - FED FLOWTHR	GUAR37313153	-138
10.000	365	VIRGINIA TECH	CR19276428024	32,170
10.001	365	CORNELL UNIVERSITY - FED FLOW	389916627	9,407
10.001	365	NORTH DAKOTA STATE UNIV	8386	19,235
10.001	365	UNIV OF CONNECTICUT--FED FLOW	4856	9,967
10.001	365	UNIVERSITY OF CALIF DAVIS FED	010953WA	784
10.001	365	UNIVERSITY OF CALIF DAVIS FED	010953WA2	9,680
10.200	365	COLORADO STATE UNIV - FED FLOW	G15028	16,518
10.200	365	COLORADO STATE UNIV - FED FLOW	G15071	53,513
10.200	365	COLORADO STATE UNIV - FED FLOW	WSU000158	2,267
10.200	365	MONTANA STATE UNIV--FED FLOWTHR	G08805W0198	17,346
10.200	365	OREGON STATE UNIVERSITY - FED	C0244AK	9
10.200	365	OREGON STATE UNIVERSITY - FED	C0263AA	-2,389
10.200	365	OREGON STATE UNIVERSITY - FED	C0277AA	22,681
10.200	365	OREGON STATE UNIVERSITY - FED	C0277JA	2,000

**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Note F:**  
**Supplemental Information for Pass-Through Funds**

*For the Year Ended  
June 30, 2004  
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<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
10.200	365	OREGON STATE UNIVERSITY - FED	C0278AK	7,951
10.200	365	OREGON STATE UNIVERSITY - FED	C0278AL	26,827
10.200	365	OREGON STATE UNIVERSITY - FED	C0298AA	47,371
10.200	365	OREGON STATE UNIVERSITY - FED	C0298FA	2,015
10.200	365	OREGON STATE UNIVERSITY - FED	C0299AI	30,373
10.200	365	OREGON STATE UNIVERSITY - FED	C0299AJ	24,262
10.200	365	OREGON STATE UNIVERSITY - FED	C0299AK	63,188
10.200	365	OREGON STATE UNIVERSITY - FED	CO278AF	5,441
10.200	365	OREGON STATE UNIVERSITY - FED	GUAR30254448	5,981
10.200	365	UNIV OF ALASKA FAIRBANKS FED FLO	UAF050087	8,905
10.200	365	UNIV OF MA/AMHERST - FED FLOW	03002024B00	11,313
10.200	365	UNIV OF WI MADISON - FED FLOW	P622720	19,375
10.200	365	UNIVERSITY OF CALIF DAVIS FED	SA6890	32,481
10.200	365	UNIVERSITY OF GUAM	WSU000131	8,058
10.200	365	UNIVERSITY OF IDAHO-FED	BAK62903	34,205
10.200	365	UNIVERSITY OF IDAHO-FED	BAK63002	93,459
10.200	365	UNIVERSITY OF IDAHO-FED	BAK631WSU	82,277
10.200	365	UNIVERSITY OF IDAHO-FED	BAK79202	5,335
10.200	365	UNIVERSITY OF IDAHO-FED	BJK78202	20,775
10.200	365	UNIVERSITY OF IDAHO-FED	BJKD96	145,625
10.200	365	UNIVERSITY OF IDAHO-FED	GPK260A	83,420
10.200	365	UNIVERSITY OF IDAHO-FED	GPK515A	65,492
10.200	365	UNIVERSITY OF IDAHO-FED	GPK774B	46,073
10.200	365	UNIVERSITY OF IDAHO-FED	GPK89101A	5,894
10.200	365	UTAH STATE UNIV - FED FLOWTHR	041535008	15,932
10.200	365	UTAH STATE UNIV - FED FLOWTHR	2882(6 365)5865	1,378
10.200	365	UTAH STATE UNIV - FED FLOWTHR	C031553	90,507
10.200	365	UTAH STATE UNIV - FED FLOWTHR	C031569	23,148

**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Note F:**  
**Supplemental Information for Pass-Through Funds**

*For the Year Ended  
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<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
10.200	365	UTAH STATE UNIV - FED FLOWTHR	C031570	8,762
10.200	365	UTAH STATE UNIV - FED FLOWTHR	C031712	53,548
10.200	365	UTAH STATE UNIV - FED FLOWTHR	C031713	49,683
10.200	365	UTAH STATE UNIV - FED FLOWTHR	C031738	11,462
10.200	375	U of Wisconsin	443G450	142,896
10.206	365	UNIV OF MINNESOTA - FED FLOWTHR	Q6736000501	110,815
10.206	365	UNIVERSITY OF IDAHO-FED	BGK10401	8,445
10.206	365	UNIVERSITY OF IDAHO-FED	GPK799	10,230
10.206	365	UNIVERSITY OF NEBRASKA FED	2562220102002	3,923
10.206	365	UNIVERSITY OF NEBRASKA FED	2562220217002	11,848
10.217	365	LOUISIANA ST UNIV--FED FLOWTHR	R915220	-26
10.217	365	UNIVERSITY OF IDAHO-FED	BFK842B	17,498
10.217	365	UNIVERSITY OF IDAHO-FED	BJK78502	19,812
10.217	365	UNIVERSITY OF IDAHO-FED	BJKE16WSU	12,933
10.302	365	CORNELL UNIVERSITY - FED FLOW	40414676745	115,818
10.302	365	MONTANA STATE UNIV--FED FLOWTHR	GC02801Z1585	61,224
10.302	365	RUTGERS STATE UNIV OF NJ-FED FLO	1600	26,776
10.302	365	UNIV OF FLORIDA - FED FLOW	SC01037611	51,591
10.302	365	UNIVERSITY OF CALIF DAVIS FED	004654KG	75,996
10.302	365	UNIVERSITY OF CALIF DAVIS FED	00470401	16,673
10.302	365	UNIVERSITY OF CALIF DAVIS FED	00RA4654WA	58,780
10.303	365	COLORADO STATE UNIV - FED FLOW	G14101	12,403
10.303	365	OH ST UNIV RES FOUND--FED FLOWTH	745914962099	42,182
10.303	365	PENNSYLVANIA ST UNIV--FED FLOWTH	2216WSUUSDA1367	63,355
10.303	365	UNIV OF ARIZONA--FED FLOWTHR	Y772789	72,143
10.303	365	UNIV OF CA-BERKELEY - FED FLOW	SA4197	1,561
10.303	365	UNIVERSITY OF CALIF DAVIS FED	00RA2416WA	18,378
10.303	365	UNIVERSITY OF CALIF DAVIS FED	00RA2416WA2	14,525

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10.303	365	UNIVERSITY OF CALIF DAVIS FED	00RA4870WSU	7,480
10.303	365	UNIVERSITY OF CALIF DAVIS FED	K009607WA1	38,338
10.303	365	UNIVERSITY OF CALIF DAVIS FED	K009607WA2	7,247
10.303	365	UNIVERSITY OF CALIF DAVIS FED	K009607WA3	31,743
10.303	365	UNIVERSITY OF CALIF DAVIS FED	K011656	2,107
10.303	365	UNIVERSITY OF IDAHO-FED	BJK748WSU	79,207
10.303	365	UNIVERSITY OF IDAHO-FED	BJK748WSUCES	92,286
10.303	365	UNIVERSITY OF IDAHO-FED	BJKE27WSUCES	27,222
10.304	365	UNIVERSITY OF CALIFORNIA - FEDER	K00779713	14,317
10.500	365	AUBURN UNIVERSITY - FED FLOWTHR	04ACES539109WSU	30,719
10.500	365	AUBURN UNIVERSITY - FED FLOWTHR	ACESASATPYD80405	91,492
10.500	365	KANSAS ST UNIV - FED FLOWTHR	S04048	21,215
10.500	365	UNIV OF VERMONT - FED FLOWTHR	SARENI05	-2
10.500	365	UNIV OF WYOMING - FED FLOWTHR	UTSTUNV46453	11,773
10.500	365	UNIV OF WYOMING - FED FLOWTHR	UTSTUNV61306128STATE	2,581
10.500	365	UNIV OF WYOMING - FED FLOWTHR	UTSTUNV6225	4,099
10.500	365	UNIVERSITY OF CALIFORNIA - FEDER	S6701	5,558
10.500	365	UNIVERSITY OF IDAHO-FED	BJKC96WSU	8,453
10.500	365	UNIVERSITY OF IDAHO-FED	BJKD54WSU	20,456
10.500	365	UTAH STATE UNIV - FED FLOWTHR	041549006	15,321
10.500	365	UTAH STATE UNIV - FED FLOWTHR	C031935	37,350
10.500	365	WASHINGTON 4-H FOUNDATION - FED	NONE	34,864
10.652	365	OKLAHOMA STATE UNIV - FED FLOW	OSUAB562030	15,342
10.652	365	UNIV OF MONTANA--FED FLOWTHR	PG430403	6,911
10.760	370	Anderson Perry & Assoc.	531708	550
11.000	360	NATIONAL SEA GRANT COL	V121-A	21,734
11.000	360	NORTH PACIFIC MARINE S	NA16FX2629	34,192
11.000	360	NORTH PACIFIC MARINE S	NA16FX2629, 42	53,644

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11.000	360	NORTH PACIFIC MARINE S	NA16FX2629, 44	47,577
11.000	360	NORTH PACIFIC RESEARCH	508	2,355
11.000	360	NORTH PACIFIC RESEARCH	530	5,832
11.000	360	NORTH PACIFIC RESEARCH	F0401	22,194
11.000	360	NORTH PACIFIC RESEARCH	F0418	56,848
11.000	360	OR STATE DEPT OF FISH	001-3251SC-FISH MOD01	-1,329
11.000	360	OREGON DEPT OF FISH &	001-4120-S-FISH	44,088
11.000	360	PACIFIC SHELLFISH INST	136988 AM01	38
11.000	360	PACIFIC SHELLFISH INST	NA16RG1668	25,560
11.000	360	PACIFIC SHELLFISH INST	UW Bud# 667560	27,341
11.000	360	PACIFIC SHELLFISH INST	UW Bud# 669051	9,517
11.000	360	PACIFIC SHELLFISH INST	UW Bud# 669062	1,168
11.000	360	PACIFIC ST MARINE FISH	04-44	6,953
11.000	360	PACIFIC STATES MARINE	05-32	72,708
11.000	360	PACIFIC STATES MARINE	05-50	15,194
11.000	360	PACIFIC STATES MARINE	05-57	26,401
11.000	360	RUTGERS UNIV	1690	-1,675
11.000	360	STATE OF OREGON	PS05043	8,271
11.000	360	UNIV OF CA SAN DIEGO	10227701	18,078
11.000	360	UNIV OF CA SAN DIEGO	R/A-122B PO#10235189	22,176
11.000	360	YUKON RIVER DRAINAGE F	UW Bud# 667599	37,879
11.000	365	ALASKA DEPT OF FISH & GAME	COOP01049	542
11.000	365	MONTEREY BAY SANCTUARY FNDN	WSU000129	15,748
11.000	365	UNIVERSITY OF OR FED	GUAR24300215	3,932
11.000	477	Pacific States Marine Fisheries Commission	05-11	30,454
11.000	477	Pacific States Marine Fisheries Commission	05-13	6,459
11.000	477	Pacific States Marine Fisheries Commission	05-58	5,567
11.417	360	UNIVERSITY OF NORTH CA	2002-HERWIG-550133-UW	15,271

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11.417	360	UNIVERSITY OF NORTH CA	2002-HERWIG-550478-UW	-847
11.417	360	UNIVERSITY OF NORTH CA	550469550133-UW-HERWIG	25,751
11.417	360	UNIVERSITY OF OREGON S	NA116A-A	6,659
11.417	365	UNIV OF WI MILWAUKEE - FED FLOW	K016708	29,139
11.417	380	Gordon College	56182	23,679
11.417	380	U of N Carolina Wilmington	550133	5,032
11.417	477	Pacific States Marine Fisheries Commission	04-58	32,873
11.426	365	UNIV OF HAWAII - FED FLOW	Z600894	132
11.426	365	UNIV OF HAWAII - FED FLOW	Z679784	33,411
11.427	477	Pacific States Marine Fisheries Commission	04-87	30,769
11.430	360	UNIV OF ALASKA FAIRBAN	UAF 04-0110	6,351
11.430	360	UNIV OF ALASKA FAIRBAN	UAF03-0107/PO#FP400728	15,304
11.430	365	UNIV OF ALASKA - FED FLOWTHR	UAF030090	1
11.430	380	University of Alaska	PO#FP504794	255
11.437	477	Pacific States Marine Fisheries Commission	03-07	1,337
11.437	477	Pacific States Marine Fisheries Commission	04-38	1,877
11.437	477	Pacific States Marine Fisheries Commission	05-04	232,124
11.437	477	Pacific States Marine Fisheries Commission	05-05	257,667
11.437	477	Pacific States Marine Fisheries Commission	05-06	65,681
11.437	477	Pacific States Marine Fisheries Commission	05-07	92,179
11.437	477	Pacific States Marine Fisheries Commission	05-15	172,443
11.437	477	Pacific States Marine Fisheries Commission	05-22	30,723
11.437	477	Pacific States Marine Fisheries Commission	05-47	196,500
11.437	477	Pacific States Marine Fisheries Commission	UBE	221,236
11.439	477	North Pacific Marine Science Foundation	NA 16FX2629	38,788
11.439	477	Pacific States Marine Fisheries Commission	04-29	71,420
11.439	477	Pacific States Marine Fisheries Commission	04-30	6,294
11.441	477	North Pacific Fishery Management Council	2004-3	17,813

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11.441	477	North Pacific Fishery Management Council	WA-SSL-2003	31,212
11.441	477	Pacific Fisheries Management Council	06-04	79,661
11.441	477	Pacific Fisheries Management Council	06-05	35,315
11.473	360	OREGON HEALTH & SCIENC	GCLMR00XX-UW	44,880
11.478	380	Gordon College	56183	23,741
11.611	365	WASHINGTON MFG SVCS - FED FLOWTH	WSU000137	20,484
11.999	477	Skagit System Cooperative	None	33,003
12.000	360	ADVANCED TECH INST	2004-331 MOD01	20,173
12.000	360	ADVANCED TECH INST	2004-380 MOD02	166,393
12.000	360	ALASKA NATIVE TECHNOLO	05-ANT-0243-01	29,308
12.000	360	APPLIED MARINE SOLUTIO	UW Bud# 667191	1,020
12.000	360	APPLIED MARINE SOLUTIO	UW Bud# 668603	152,416
12.000	360	BATTELLE, COLUMBUS DIV	TCN 03042 AM03	-2
12.000	360	BBNT	9500005898, AM03	85,721
12.000	360	BOEING CO	KN1773	83,214
12.000	360	BOEING COMPANY	KM5271-03,PCC06	198,054
12.000	360	BOEING COMPANY	KQ5991	102,822
12.000	360	BOEING SSG	KQ6678, MOD #2	85,161
12.000	360	CARNEGIE MELLON UNIVER	1130024 AMEND 2	59
12.000	360	DESERT RESEARCH INST	04-DEES-01	112,000
12.000	360	DRAGOON TECHNOLOGIES	UW Bud# 667723	2,401
12.000	360	DRAGOON TECHNOLOGIES	UW Bud# 667735	-702
12.000	360	DRAGOON TECHNOLOGIES	UW Bud# 667736	2,571
12.000	360	DRAGOON TECHNOLOGIES	UW Bud# 668257	25,202
12.000	360	DRAGOON TECHNOLOGIES	UW Bud# 668259	36,422
12.000	360	DRAGOON TECHNOLOGIES	UW Bud# 668260	85,339
12.000	360	DRAGOON TECHNOLOGIES	UW Bud# 668261	45,794
12.000	360	ELECTRIC POWER RSCH IN	WO8333-01 AM01	-11,946

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12.000	360	ERC, INC	RP050036	76,981
12.000	360	EWING TECHNOLOGY ASSOC	UW Bud# 668973	71,034
12.000	360	EXTRUDE HONE INC.	UW Bud# 667416	61,330
12.000	360	FNDN FOR HLTH CARE QUA	UW Bud# 668965	98,533
12.000	360	FNDN FOR HLTH CARE QUALITY	UW Bud# 668990	39,240
12.000	360	FOSTER MILLER INC	SUB1-00178	108,420
12.000	360	GENERAL DYNAMICS-ROBOT	S-40001T	90,469
12.000	360	GROUP HEALTH COOPERATI	40091	10,869
12.000	360	GRP HLTH COOP PUGET SO	0511UW	2,182
12.000	360	HONEYWELL LABS	P.O. C09340028 REV01	100,734
12.000	360	HPTI	HPTI-PET-2001-036	57,605
12.000	360	IBM CORPORATION	A0033550 AM004	66,889
12.000	360	ILLUMIGEN BIOSCIENCES	UW Bud# 669214	11,547
12.000	360	INFORMATION SYSTEMS LA	04-3515-01, AM01	61,883
12.000	360	INFORMATION SYSTEMS LAB	05-35-28-01	37,135
12.000	360	INNOVATIVE SCIENTIFIC	2227-001	26,878
12.000	360	INTERNATIONAL COMPUTER	110-UW MOD07	115,112
12.000	360	ISOTRON CORPORATION	UW Bud# 667879	125,448
12.000	360	ITT Industries	186039J	17,004
12.000	360	JOHNS HOPKINS UNIV	N00024-03-D-6606870875	28
12.000	360	JOHNS HOPKINS UNIVERSI	849637 MOD#5	228
12.000	360	JOHNS HOPKINS UNIVERSI	883443 AM01	407,092
12.000	360	JP INNOVATIONS, INC.	041301	34,075
12.000	360	KRONOS ADVANCED TECHNO	UW Bud# 668327	66,578
12.000	360	LELAND STANFORD JUNIOR	27647-B	-39,151
12.000	360	LOCKHEED MARTIN SHARED	FFM334162	14,074
12.000	360	MASSACHUSETTS INSTITUT	3006656	20,567
12.000	360	MATERIALS RESOURCES IN	UW Bud# 669008	55,498

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12.000	360	MATHSOFT INC	RES980 BLIND II	-174
12.000	360	MCPHEE RSCH CO	PO# 00301, AMD #4	4,831
12.000	360	MER CORPORATION	UW Bud# 668092	19,689
12.000	360	MICROCOATING TECHNOLOG	UW Bud# 667343	29,013
12.000	360	INFORMATION SYSTEMS LAB	04-3515-01, AM01	24,440
12.000	360	NOVELTECH	UW Bud# 668088	52,988
12.000	360	PLANNING SYSTEMS INCOR	S-01-05	23,839
12.000	360	SCIENCE APPLICATIONS I	4400102258	5,065
12.000	360	SIENNA TECHNOLOGIES IN	UW Bud# 666204	64,398
12.000	360	SRI INTERNATIONAL, INC	03-000225, TO03 MOD3	391,393
12.000	360	SRI INTERNATIONAL, INC	03-000225,TO02 MOD02	314,967
12.000	360	SRI INTL INC	03-000225	-9,235
12.000	360	SRI INTL INC	03-000225 TO #4 MOD#2	197,295
12.000	360	SRI INTL INC	03-000225,TO02	158,214
12.000	360	SRI INTL INC	27-000799, MOD 04	481,795
12.000	360	SRI INTL INC	27-000968 MOD#1	36,753
12.000	360	ST LOUIS UNIVERSITY	DAMD17-01-1-0401	9,739
12.000	360	SUNY	1016565/1/21169 MOD05	183,162
12.000	360	Technology Service Cor	UW Bud# 666837	59
12.000	360	TELCORDIA TECHNOLOGIES	10083184 AM09	53,328
12.000	360	THE GENEVA FNDN	UW Bud# 667981	939
12.000	360	THE INSTI GRP	UW Bud# 669193	29,677
12.000	360	UNIVERSITY OF MARYLAND	Z2965104 MOD0D	61,157
12.000	360	UNIVERSITY OF MARYLAND	Z965104	114,237
12.000	360	UNIVERSITY OF MINNESOT	E5366250301	22,570
12.000	360	UNMANNED SYSTEMS TECHN	UW Bud# 665506	2,808
12.000	360	UTAH STATE UNIV	C019755, AM08	5,335
12.000	360	VERIDIAN ENGR	DSC0089	10,064

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12.000	360	WEBB RESEARCH CORPORAT	03703	4,934
12.000	360	WEBB RESEARCH CORPORAT	05626	5,804
12.000	365	ACADEMY OF APPLIED SCIENCE--FED	03062	-1
12.000	365	ACADEMY OF APPLIED SCIENCE--FED	0496	1,437
12.000	365	ACADEMY OF APPLIED SCIENCE--FED	WSU000182	742
12.000	365	AGILTRON INC FED FLOW	WSU000166	6,060
12.000	365	ALCOA INC	400015937	39,959
12.000	365	CONCURRENT TECHNOLOGIES CORP	031200244	159,954
12.000	365	GEO-CENTERS INC	40853CMGC3173	75
12.000	365	GEO-CENTERS INC	42090SM	263,656
12.000	365	MASS INSTIT OF TECH--FED FLOWTHR	3024189	40,713
12.000	365	NORTHROP GRUMMAN CORPORATION	569991	22,805
12.000	365	NORTHROP GRUMMAN CORPORATION	GUAR56052071	21,709
12.000	365	TPL INC	AM6420041	29,459
12.000	365	VLOC INCORPORATED	VAN0001	72,215
12.000	365	VLOC INCORPORATED	YAG0001	
12.000	699	Univ of Dayton	F426000D0039,RZ13	674,076
12.110	477	Pacific States Marine Fisheries Commission	04-91	6,843
12.110	477	Pacific States Marine Fisheries Commission	04-93	19,407
12.110	477	Pacific States Marine Fisheries Commission	04-94	5,800
12.110	477	Pacific States Marine Fisheries Commission	05-89	2,580
12.110	477	Pacific States Marine Fisheries Commission	05-90	17,558
12.110	477	Pacific States Marine Fisheries Commission	05-91	3,629
12.300	360	DUKE UNIVERSITY	04-SC-ONR-1066	8,223
12.300	360	HARVARD UNIV	UW Bud# 664546	93,527
12.300	360	UNIV OF CA SAN DIEGO	PO 10212040-002	91,628
12.300	360	WOODS HOLE OCEANOGRAPH	A100337	20,518
12.300	365	UNIVERSITY OF IDAHO-FED	KKK702B	29,539

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12.300	365	UNIVERSITY OF IDAHO-FED	KKK95103A	70,368
12.420	360	COLUMBIA UNIV	DAM17-99-1-9474P538472	6,971
12.420	360	EMORY UNIV	DAMD17-03-2-0033 COREA	9,902
12.420	360	EMORY UNIV	DAMD17-03-2-0033 PROJ1	79,975
12.420	360	EMORY UNIV	DAMD17-03-2-0033 PROJ2	31,973
12.420	360	FHCRC	05-201062-01-S1137	987
12.420	360	FHCRC	0520106201S1136PO58029	11,144
12.420	360	LELAND STANFORD JUNIOR	27647-B AM01	32,711
12.420	360	N CA INST RSCH EDUC	DAMD-01-1-0764	1,648
12.420	360	N CA INST RSCH EDUC	DAMD-01-1-0764 AMD#1	278
12.420	360	UNIVERSITY OF MICHIGAN	PRIMEAWDW81XWH042-0012	211,585
12.420	360	UNIVERSITY OF MICHIGAN	W81XWH-04-2-0012 AM5&6	1,106,840
12.420	360	UNIVERSITY OF MISSISSI	02-01-069 MOD04	2,028,749
12.420	360	UNIVERSITY OF MISSISSI	02-01-069, AMEND.#1**	86,124
12.630	360	NORTHWESTERN UNIV	0650 300 F486 876	19,134
12.800	360	CORNELL UNIV	39383-6864	-753
12.800	360	UNIV OF SOUTH ALABAMA	03-010268	23,332
12.800	360	UNIV OF SOUTH ALABAMA	03-010268 MOD01	11,563
12.800	365	AT&T	S000000377	101,730
12.800	365	RESEARCH & DEVELOP LABS - FED FL	990812	-2,642
12.910	360	MIT	5710001484 AMEND# 05	21,682
12.910	360	UNIV OF ARKANSAS	SA020967 AM06	207,814
14.000	360	KING COUNTY HOUSING AU	625-2003-0012 MOD 02	47,556
14.000	360	SEATTLE HOUSING AUTHOR	SUBGRANT #9920	15
14.000	360	SEATTLE HOUSING AUTHOR	SUBGRANT #9920 ORDER#4	5,194
14.000	699	King County	652-2002-0015	37,960
14.218	365	SPOKANE CITY OF	OPR200583	17,379
14.218	370	City of Spokane	536460	8,391

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14.239	148	City of Seattle	FY 2005 HK SEA	525,108
14.901	360	NEIGHBORHOOD HOUSE	NH313-03-2	35,696
15.000	360	ALASKA FISH & GAME DEP	COOP 04-007	53,114
15.000	360	CENTER FOR PLANT CONSE	UW Bud# 668716	22,508
15.000	360	CLARK REGIONAL EMERGEN	2003-02 CHANGE ORDER 1	-85
15.000	360	CTR WILDLIFE CONSERVAT	UW Bud# 631583	674
15.000	360	JAMESTOWN S'KLALLAM TR	UW Bud# 667482	18,884
15.000	360	MAR INC	PO# OHM-190	37,821
15.000	360	Montana State Universi	GC259-04-Z1138	4,638
15.000	360	ROCHESTER INST OF TECH	30479-06	2,732
15.000	360	TACOMA FIRE DEPARTMENT	PO#: PD-61100-L-BD	191
15.000	360	TEXAS A&M UNIVERSITY	570201 AM01	12,848
15.000	365	COOPERATIVE LEAGUE OF THE U.S.A.	WSU000122	-474
15.000	365	ECONOMIC & ENGINEERING SVCS INC	101361	20,834
15.000	365	KREIMES ASSOC INC	WSU000126	912
15.000	365	WILDLANDS INC - FED FLOWTHR	WSU000183	2,433
15.000	365	WILDLANDS INC - FED FLOWTHR	WSU000184	2,828
15.000	375	Montana State U.	GC268-03-Z1138	4,993
15.000	390	National Park Services	H6490030307	309,830
15.608	360	UNIVERSITY OF NORTH CA	550469 UW HERWIG, AM	8,594
15.631	360	COASTAL RESOURCES ALLI	UW Bud# 669322	17,309
15.808	360	NORTHEAST-MIDWEST INST	040244 UWHERWIG#3	86,244
15.809	360	TEXAS A&M UNIV	59132 GO AMD 3	-3
15.916	365	UNIVERSITY OF IDAHO-FED	P0012897	9
15.916	365	UNIVERSITY OF IDAHO-FED	P0013635	23,438
15.999	477	International Fish & Wildlife Agencies	None	4,919
15.999	477	National Fish & Wildlife Foundation	None	12,411
15.999	477	Western Assoc of Fish & Wildlife Agencies	None	19,116

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15.999	477	Wildlife Management Institute	None	20,292
16.000	365	BENTON FRANKLIN CNTY SUPER COURT	WSU000176	15,757
16.000	365	BENTON-FRANKLIN JUV JUST FED FLO	WSU000163	4,709
16.000	365	COMCARE ALLIANCE	102170	8,278
16.000	365	SMITH ALLING LANE - FED FLOW	WSU000172	428
16.000	365	SPOKANE POLICE DEPT	WSU000142	41,399
16.560	360	DARTMOUTH COLLEGE	5-36370	-1,573
16.565	360	DARTMOUTH COLLEGE	5-36331.570	58,544
16.580	225	Property Crimes Task Force	C010496FED	-28,617
16.585	370	Weber Human Services	531346	7,470
16.592	375	WA Asso Sheriffs & Police Chiefs	N/A	7,291
16.592	376	WA.ASSN.OF SHERIFFS & POLICE CHIEFS	not available	3,100
16.610	225	California Dept of Justice	C040802FED	118,439
16.610	225	California Dept of Justice	C050416FED	134,158
16.710	225	Pierce County Alliance	C040931GSC	-135,000
16.710	225	Pierce County Alliance	C041268FED	17,400
16.710	461	Pierce County Alliance	C004056	40,155
16.710	461	Pierce County Alliance	C005029	468
17.000	360	BUILD IT SMART	46K1-HT18	-1,457
17.000	360	WASHINGTON WORKFORCE A	UW Bud# 661717	14,317
17.000	365	SOCIAL POLICY RESEARCH ASSOCIATE	SPR02114202	49,422
17.000	365	YAKIMA CO DEPT OF EMPLOYMENT & T	DETPY0304AAG007	3,910
17.235	540	Columbia River Council of Gov	Local	6,112
17.235	540	WDC01	Local	83,998
17.235	540	WDC04	Local	23,388
17.235	540	WDC07	Local	4,371
17.235	540	WDC08	Local	11,381
17.235	699	Snohomish Cty Human Serv	A058001203(1)	8,815

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17.253	540	WDC09	Local	25,202
17.258	540	WDC01	Local	440,446
17.258	540	WDC02	Local	722,550
17.258	540	WDC04	Local	674,064
17.258	540	WDC05	Local	117,384
17.258	540	WDC07	Local	33,864
17.258	540	WDC08	Local	391,144
17.258	540	WDC09	Local	9,543
17.258	540	WDC11	Local	150,082
17.258	540	WDC12	Local	588,996
17.258	699	E Wash Partnership	6110-7624-15	2,691
17.258	699	King County	111-4M05	8,389
17.258	699	Kitsap County	KC-135-04	24,772
17.258	699	Kitsap County	KC-295-04	66,836
17.258	699	NW Workforce Dev Council	145-111-3285	61,801
17.258	699	Pac Mtn Workforce Consortium	03-SPSCC-IW1	18,509
17.258	699	Snohomish Cty Workforce Dev Council	WDC-LF042 Mod#1	170,151
17.259	540	WDC02	Local	4,074
17.259	540	WDC04	Local	64,543
17.259	540	WDC07	Local	23,245
17.259	540	WDC08	Local	354,068
17.259	540	WDC09	Local	423,472
17.259	540	WDC11	Local	262,490
17.259	699	E Wash Partnership	6110-7624-15	2,691
17.259	699	Skillsource E3	0304-09	5,285
17.260	365	NATIONAL 4-H COUNCIL - FED FLOW	WSU000113	9,002
17.260	540	SkillSource	Local	24,533
17.260	540	WDC01	Local	1,107,685

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17.260	540	WDC02	Local	1,338,899
17.260	540	WDC03	Local	94,396
17.260	540	WDC04	Local	1,572,198
17.260	540	WDC05	Local	729,624
17.260	540	WDC06	Local	134,038
17.260	540	WDC07	Local	759,679
17.260	540	WDC08	Local	408,173
17.260	540	WDC09	Local	417,419
17.260	540	WDC10	Local	724,451
17.260	540	WDC11	Local	629,422
17.260	540	WDC12	Local	1,006,673
17.260	699	E Wash Partnership	6110-7624-15	2,691
17.260	699	NW Workforce Dev Council	145-111-3281	54,027
17.260	699	NW Workforce Dev Council	145-111-3282	56,278
17.260	699	Pac Mtn Workforce Consortium	02-CAP-04	28,943
17.260	699	Sklsrc New Chance	0405-59	62,873
17.260	699	Snohomish Cty Workforce Dev Council	WDC-AF034	32,671
17.260	699	Snohomish Cty Workforce Dev Council	WDC-LF042/AF046	27,117
17.260	699	Snohomish Cty Workforce Dev Council	WDC-LF046 Mod#1	255,184
17.261	699	Forsyth	1V77	217,818
17.261	699	KCWDC	1V61	597,569
17.261	699	KCWDC	1V69	1,862
17.261	699	KCWDC	1V74	15,917
17.261	699	Tac Pierce Cty Emp Trng	H-1B03	16,345
17.267	365	SW WA WORKFORCE DVLPMNT COUN FED	WDC0424	9,816
17.267	699	503 Grant	0405-72	72,000
17.267	699	KCWDC	1V62	139,728
17.267	699	NW Workforce Dev Council	145-100-3288	26,112

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17.267	699	NW Workforce Dev Council	WCC-04-01	19,425
17.267	699	Snohomish Cty Workforce Council	PL105-220	45,722
17.267	699	Snohomish Cty Workforce Dev Council	WDC-XF035	86,963
17.267	699	Workforce Dev Council	61110-02-7140/737	133,180
17.805	540	WDC04	Local	156,252
19.000	360	ASSOCIATION LIAISON OF	UW Bud# 666739	8,514
19.000	360	EASTERN VIRGINIA MED S	CSA-94-143 AM03	-480
19.000	360	EASTERN VIRGINIA MED S	CSA-99-271 AMO1	-9,157
19.000	360	EASTERN VIRGINIA MED S	MC 03 332	12,386
19.000	360	INST OF INTL EDUC	UW Bud# 800083	-1
19.000	360	INST OF INTL EDUC	UW Bud# 800194	-6,799
19.000	360	INST OF INTL EDUC	UW Bud# 800454	32,591
19.000	360	INST OF INTL EDUC	UW Bud# 800455	96,698
19.000	360	PATH	AID 1233-01702-LPS	18,064
19.000	360	PROGRAM FOR APPROPRIAT	CRD.1146-01521-LPS AM2	3,528
19.000	360	SOCIAL SCI RSCH COUNCIL	UW Bud# 800352	2,700
19.000	360	SOCIAL SCIENCE RESEARC	UW Bud# 670778	9,061
19.000	360	SOCIAL SCIENCE RESEARC	UW Bud# 670779	9,091
19.000	360	SOCIAL SCIENCE RESEARC	UW Bud# 670780	9,091
19.000	365	AMER COUNCIL ON EDUC - FED FLOW	WSU000124	19,737
19.000	365	INTERNEWS NETWORK INC	1410001	517,236
19.000	365	MICHIGAN ST UNIV - FED FLOWTHR	613128	125,019
19.000	365	VIRGINIA TECH	19276425631	36,907
19.000	365	VIRGINIA TECH	CR19276434604	-2
19.000	365	VIRGINIA TECH	GUAR33613616	15,408
20.000	360	KING COUNTY DEPT OF TR	UW Bud# 668470	24,886
20.000	360	MACTEC ENGINEERING & C	100900-2-0210 T.O.#01	-180
20.000	360	MACTEC ENGINEERING & C	100900-2-0210TO02 MOD2	704

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20.000	360	MACTEC ENGINEERING & C	MEC26040014 WO#3 MOD1	7,982
20.000	360	PUGET SOUND REGIONAL C	2001102-2CONTACT200105	-15
20.000	365	NICHOLS CONSULTING ENGINEERS	WSU000120	44,168
20.000	365	UNIV OF MAINE - FED FLOWTHROUGH	UMS479	44,857
20.000	365	UNIVERSITY OF NEBRASKA FED	2611070080002	40,739
20.205	365	TEXAS A & M RESEARCH FOUND-FED F	S040047	17,948
20.205	370	Whitman County	536730	73
20.507	405	King County	GCA2899	16,304
32.001	365	PUBLIC BROADCASTING SERVICE	8607	71,236
32.001	365	PUBLIC BROADCASTING SERVICE	WSU000149	5,617
39.000	365	D.C. INFORMATION SYSTEMS - FED F	LLNDWSU001	599,842
43.000	360	ANDREWS SPACE, INC.	UW Bud# 660149	2,242
43.000	360	BATTELLE PACIFIC NORTH	12415, MODIFICATION #2	45,034
43.000	360	BAYLOR COLL OF MED	SMS00402	58,529
43.000	360	BAYLOR COLLEGE OF MEDI	EO 00203, AM09 & AM10	65,820
43.000	360	BAYLOR COLLEGE OF MEDI	MA00211, AM05 & 6	53,865
43.000	360	BAYLOR COLLEGE OF MEDI	MA00212 AMEND 10 & 11	-7,808
43.000	360	BAYLOR COLLEGE OF MEDI	PF00505 AMEND#1	32,827
43.000	360	BAYLOR COLLEGE OF MEDI	SMS00203, AM12	25,495
43.000	360	BAYLOR COLLEGE OF MEDI	SMS00203, AMO9	10,998
43.000	360	BAYLOR COLLEGE OF MEDI	SMS00401 AM# 4	29,699
43.000	360	BAYLOR COLLEGE OF MEDI	SMS00401, MOD01	62,933
43.000	360	BAYLOR COLLEGE OF MEDI	SMS00402	322,872
43.000	360	CA INST OF TECH JPL	1216232 (MOD08)	13,518
43.000	360	CA INST OF TECH JPL	1216233	11,703
43.000	360	CA INST OF TECH JPL	1216233 MOD10	127,706
43.000	360	CA INST OF TECH JPL	1216234	32,633
43.000	360	CA INST OF TECH JPL	1221119 MOD #10	68,819

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43.000	360	CA INST OF TECH JPL	1234873, MOD05	33,406
43.000	360	CA INST OF TECH JPL	1242284 MOD08	26,921
43.000	360	CA INST OF TECH JPL	1250164, MOD 6	94,973
43.000	360	CA INST OF TECH JPL	1252463 MOD01	18,141
43.000	360	CA INST OF TECH JPL	1256577	18,008
43.000	360	CA INST OF TECH JPL	1258845-MOD2	33,211
43.000	360	CA INST OF TECH JPL	1262667 MOD 1	49,935
43.000	360	CA UNIV BERKELEY	SA3588	-1
43.000	360	CA UNIV, MONTEREY BAY	50102	11,082
43.000	360	CARNEGIE INST	UW Bud# 660725	-8
43.000	360	CARNEGIE INST	UW Bud# 662951	46,629
43.000	360	CARNEGIE INSTITUTION O	DTM-3159-07, AM03	194,191
43.000	360	CARNEGIE MELLON UNIV	126586-1110048 AM06	131,047
43.000	360	DESERT RESEARCH INST	03-DEES-04 AM01 & AM02	4,579
43.000	360	DESERT RESEARCH INSTIT	04-DEES-09	5,542
43.000	360	HARVARD UNIVERSITY	123267-01	20,526
43.000	360	JET PROLULSON LABORATO	1269358	2,666
43.000	360	JET PROPULSION LAB	1216233 MOD08	22,406
43.000	360	JET PROPULSION LAB	1227565, MOD04	7,059
43.000	360	JET PROPULSION LAB	1236675, MOD NO. 1	-9
43.000	360	JET PROPULSION LAB	1245173 MOD #2 & #3	63,461
43.000	360	JET PROPULSION LAB	1249457 MOD2 & 3	3,277
43.000	360	JET PROPULSION LAB	1263191	108,010
43.000	360	JET PROPULSION LAB	1264274	10,082
43.000	360	JET PROPULSION LAB	1267029	13,909
43.000	360	JET PROPULSION LAB	1267196	50,516
43.000	360	JET PROPULSION LAB	1268416	32,756
43.000	360	JET PROPULSION LAB	1269358	12,994

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43.000	360	JET PROPULSION LAB	1269625	7,555
43.000	360	LOCKHEED MARTIN CORP	81000000144	7,876
43.000	360	MICROENERGY TECH	MET2021UW	44,749
43.000	360	MSNW	032T3029932, AMD001	268
43.000	360	MSNW	NNC04CA99C	28,642
43.000	360	OHIO STATE U RESEARCH	RF00970997/744679 MOD1	9,910
43.000	360	OKLAHOMA STATE UNIV	AA-5-65291 MOD04	58,977
43.000	360	RUTGERS UNIVERSITY	1951	12,746
43.000	360	SMITHSONIAN A. O.	G02-3033X AM02	13,330
43.000	360	SMITHSONIAN A. O.	G056112X	9,401
43.000	360	SPACE TELESCOPE SCI IN	GO-08314.01-97A AM01	1,687
43.000	360	SPACE TELESCOPE SCI IN	HST GO 10132.01 A	9,710
43.000	360	SPACE TELESCOPE SCI IN	HST-AR-08736,05-A AM01	-28
43.000	360	SPACE TELESCOPE SCI IN	HST-AR-08743-01-A AM01	-6
43.000	360	SPACE TELESCOPE SCI IN	HST-AR-09959.02-A	16,598
43.000	360	SPACE TELESCOPE SCI IN	HST-AR-10309.02-A	14,482
43.000	360	SPACE TELESCOPE SCI IN	HST-AR-10312.01-A	29,586
43.000	360	SPACE TELESCOPE SCI IN	HST-G0-09058.03-A	-25
43.000	360	SPACE TELESCOPE SCI IN	HST-G0-09157.11-A	88
43.000	360	SPACE TELESCOPE SCI IN	HST-G0-09815.01-A	14,886
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-08211.01-A	2,414
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-0860105-A AM3/4	182
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-08613.01-A AM02	76
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-08655.06-A	-2
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-08663.03-A AMD2	1,478
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-09357.06-A AM01	20,538
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-09443.03-A	-784
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-09444.06-A AM02	15,713

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43.000	360	SPACE TELESCOPE SCI IN	HST-GO-09459.06-A	1,538
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-09476.01-A AM1	47,519
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-09489.02-A	11,141
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-09765.02A	12,506
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-09791.01-A	2,894
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-09899.01-A	12,892
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-10005.02-A	25,376
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-10120.04-A	30,767
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-10259.02-A	538
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-10349.02-A	76
43.000	360	SPACE TELESCOPE SCI IN	HST-GO-10424.A0-A	824
43.000	360	SPACE TELESCOPE SCI IN	HST-HF-01143.01-A	12,760
43.000	360	SPACE TELESCOPE SCI IN	HST-HF-01175.01-A	62,970
43.000	360	STANFORD UNIVERISTY	PY-2426, AM06	73,145
43.000	360	UNIV OF CALIFORNIA, BE	SA 3872-24080, AM01	17,146
43.000	360	UNIV OF CALIFORNIA, BE	SA4347-24309	47,899
43.000	360	UNIV OF CALIFORNIA, SA	10234024	241
43.000	360	UNIV OF MARYLAND	Z689203 & MOD G	132,956
43.000	360	UNIV OF MIAMI	669781 AM02	42,339
43.000	360	UNIV OF MIAMI	669781 AM05	-8,434
43.000	360	UNIV SPACE RSCH ASSOC	07605-003-018 MO01	-22,408
43.000	360	UNIV SPACE RSCH ASSOC	07605-003-027	33,780
43.000	360	UNIVERSITIES SPACE RES	07605-003-038	41,002
43.000	360	UNIVERSITIES SPACE RESEARCH ASSOCIATION	07605-003-038	31,220
43.000	360	UNIVERSITY OF ARIZONA	Y403021, AM2	29,322
43.000	360	UNIVERSITY OF COLORADO	S6524, MOD21	163,269
43.000	360	UNIVERSITY OF OREGON S	NS033A-01 AM18	228,855
43.000	360	USRA	07605-003-027	163,220

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43.000	365	CA INST OF TECH - JET PROP LAB	1236947	64,071
43.000	365	CA INST OF TECH - JET PROP LAB	1263474	53,681
43.000	365	SPACE TELESCOPE SCI INSTIT	HSTAR0874502A	1,127
43.000	365	SPACE TELESCOPE SCI INSTIT	HSTGO0939202A	6,191
43.000	365	UNIV OF MARYLAND - FED FLOWTHR	CG0202	22,223
43.000	365	VIRGINIA TECH	CR19276414236	20,563
43.001	360	UNIVERSITY OF KENTUCKY	46758105333	10,117
43.002	360	UNIVERSITY OF COLORADO	153-6824	2,969
47.000	360	CA ST UNIV MONTEREY BA	021604-A	14,706
47.000	360	CARNEGIE MELLON UNIV	1120097-111373 MOD05	18,358
47.000	360	CENTER FOR HEALTH MGMT	UW Bud# 664672	5,095
47.000	360	CENTER FOR HEALTH MGMT	UW Bud# 666477	8,061
47.000	360	FERMI NTL ACCELERATOR	P.O. 558793, REV 1	6,882
47.000	360	FERMI NTL ACCELERATOR	P.O.#546424 REVISION 8	74,438
47.000	360	HARVARD UNIVERSITY	IBN0207870	88,189
47.000	360	INST FOR ADVANCED STUD	IAS9900969AM01	1,040
47.000	360	INTERNATIONAL COMPUTER	378C	137,767
47.000	360	INTERNATIONAL COMPUTER SCIENCE INSTITUTE	#378C	4,984
47.000	360	INTERNATIONAL COMPUTER SCIENCE INSTITUTE	378CMOD05	11,786
47.000	360	JOINT OCEANOGRAPHIC IN	TO F001794	21,033
47.000	360	MISSISSIPPI STATE UNIV	00-10-0203-02 MOD03	3,039
47.000	360	MISSISSIPPI STATE UNIV	00-10-0203-02 MOD05	27,097
47.000	360	NW RESEARCH ASSOCIATES	NWRA-02-S-061 MOD3	25,035
47.000	360	PACIFIC EARTHQUAKE ENG	SA 3990, AM01	4,480
47.000	360	Pacific Earthquake Eng	SA 4802	1,021
47.000	360	PACIFIC EARTHQUAKE ENG	SA3812, AMEND01	-3,125
47.000	360	PACIFIC EARTHQUAKE ENG	SA4716	11,887
47.000	360	Pacific Earthquake Eng	SA4757	36,922

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47.000	360	PORTLAND STATE UNIVERS	030209	110,692
47.000	360	RESEARCH CORP OF THE U	UW Bud# 666352	3,978
47.000	360	RUTGERS UNIV	4-26187	92,385
47.000	360	SEQUOIA SCIENTIFIC INC	UW Bud# 664680	-6,704
47.000	360	TENNESSEE TECHNOLOGIC	UW Bud# 668740	679
47.000	360	THE UNIVERSITY OF TENN	OR2404-001.01, AM02	103,662
47.000	360	UNIV OF ALASKA ANCHORA	PO245823	89,850
47.000	360	UNIV OF CA BERKELEY	SA4194, AM01	57,167
47.000	360	UNIV OF CA BERKELEY	SA4285PG MOD01	34,354
47.000	360	UNIV OF CA BERKELEY	SA4335PG	51,863
47.000	360	UNIV OF CA BERKELEY	SA4352PG/PO895257	66,627
47.000	360	UNIV OF CA BERKELEY	SA4721/PO999075	4,647
47.000	360	UNIV OF CA BERKELEY	SA4816	1,051
47.000	360	UNIV OF KANSAS, CENTER	FY2002-002 M3	126,987
47.000	360	UNIV OF MICHIGAN	F006212	16,463
47.000	360	UNIV OF MICHIGAN	F008262 AM01	91,267
47.000	360	UNIV OF NOTRE DAME	UW Bud# 670488	2,204
47.000	360	UNIV OF VIRGINIA	GA10162-112935 AM02	-1,716
47.000	360	UNIV OF WISCONSIN - MA	641F900	-5,645
47.000	360	VANDERBILT UNIV	14656-87	10,092
47.000	360	WHOI	A100416	25,418
47.000	360	WOODS HOLE OCEANOGRAPH	A100112 AM03	-538
47.000	360	WOODS HOLE OCEANOGRAPH	A100224 MOD01	-7
47.000	365	CIVILIAN RESEARCH & DEVELOP FOUN	RB12502ST03	9,873
47.000	365	LAMONT-DOHERTY EARTH OB COLUMBIA	1004PS	4,632
47.000	365	PENNSYLVANIA ST UNIV--FED FLOWTH	4153761EY0	123
47.000	365	RESEARCH FNDN SUNY-BROCKPORT-FED	PTA10006621011770	16,900
47.000	365	SOCIETY FOR AMERICAN ARCHAEOLOGY	WSU000173	-91

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47.000	365	UNIVERSITY OF NEW MEXICO	GUAR38135072	61,728
47.000	699	Univ of San Francisco	DUC0118933	798
47.041	360	CORNELL UNIV	44771-7473	260,870
47.041	360	CORNELL UNIVERSITY	44771-7473	606,725
47.041	360	MONTANA STATE UNIV	GC201-03-Z2406, MOD01	50,879
47.041	360	NORTH DAKOTA ST UNIV	4936-1	-16,874
47.041	360	UNIV OF CA	SA4570, AM01	704
47.041	360	UNIV OF CA BERKELEY	SA4190 AM01	58,242
47.041	360	UNIV OF CA BERKELEY	SA4570, AM01	50,542
47.041	360	UNIVERSITY OF OREGON S	SO774AA,AM03	44,973
47.041	365	UNIVERSITY OF IDAHO-FED	FEK56103A	26,619
47.049	360	COLUMBIA UNIV	PHY9722537AM12	-31,268
47.049	360	COLUMBIA UNIVERSITY	PHY 0301292	263,192
47.049	360	INSTITUTE FOR ADVANCED	IAS-EHR-0314808	154,809
47.049	360	UNIV OF DELAWARE	494070 AM02	21,330
47.049	360	UNIVERSITY OF CHICAGO	27618 AM02	55,684
47.049	360	UNIVERSITY OF MINNESOT	T5166178101	18,189
47.049	360	UNIVERSITY OF TEXAS AT	UTA05-150	20,482
47.049	365	AMERICAN EDUC RES ASSN-FED FLOW	NONE	748
47.049	365	TULANE UNIVERSITY - FED FLOWTHR	TUL1350203	64,170
47.049	365	UNIVERSITY OF IDAHO-FED	ACK88703A	30,166
47.050	360	ARIZONA ST UNIV	02-026	212,961
47.050	360	ARIZONA ST UNIV	02-026 MOD02	72,789
47.050	360	COLUMBIA UNIV	OCE-02-23951-2, MOD01	154,218
47.050	360	DARTMOUTH COLLEGE	5-34099-570 AM001	38,162
47.050	360	IRIS	337, AM03	79,481
47.050	360	UNIV OF IOWA	PO.# 40000088273 AM04	86,710
47.050	360	UNIV OF WISCONSIN - MA	F041005	39,106

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47.050	360	UNIVERSITY OF CALIFORN	KK4111, MOD02	77,589
47.050	360	WHOI	A100373 MO01	14,983
47.050	365	RESEARCH FNDN SUNY-BUFFALO - FED	R272484	10,173
47.050	376	NASA HAO SUN EARTH	S01-32973	24,317
47.050	380	California State Univ Chico	00-118	287
47.050	380	Joint Oceanographic Instit	JSAU504	5,140
47.050	380	Woods Hole Oceanographic Instit	A100171	19,148
47.050	461	University of Maine	C001015	7,755
47.070	360	COLUMBIA UNIV	ONE (1)	7,278
47.070	360	COLUMBIA UNIV	PO#539927 SUBCONTR AM1	26,075
47.070	360	JOHN HOPKINS UNIV.	8203-41832 AM01	35,732
47.070	360	PURDUE UNIVERSITY	501-1390-01	25,423
47.070	360	UNIV OF ILLINOIS URBAN	PACI #820 AM03	27,209
47.070	360	UNIVERSITY OF COLORADO	154-0166	44,999
47.070	360	UNIVERSITY OF OREGON S	S0790A-A AM02	76,573
47.070	365	COLORADO STATE UNIV - FED FLOW	G33141	44,069
47.070	365	WESTERN MICHIGAN UNIV - FED FLOW	NCFACI0203776	4,873
47.074	360	CLEMSON UNIV	748-7558-206-2003806	121,097
47.074	360	DUKE UNIV	04-SC-NSF-1029	149,788
47.074	360	FHCRC	04-200229-01-S0812	20,015
47.074	360	FHCRC	0520022902S100PO573919	50,884
47.074	360	STROUD WATER RSCH CTR	3652TRNS MOD03	-13,356
47.074	360	UNIV OF WISCONSIN MADI	054F412	159,652
47.074	360	UNIVERSITY OF FLORIDA	UF03012, AM01	42,539
47.074	365	ARIZONA STATE UNIV--FED FLOWTHR	03048	113,323
47.074	365	SYRACUSE UNIVERSITY--FED FLOWTHR	GUAR24280143	17,073
47.074	365	UNIV OF OKLAHOMA - FED FLOWTHR	200029	1,218
47.074	365	UNIVERSITY OF CALIF DAVIS FED	SA6644	3,571

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47.074	375	U f TX	UTA02-120	12,243
47.074	376	Duke University	01-SC-NSF-1007	50,693
47.074	376	U.C.Davis	K004431-20	28,322
47.075	360	STANFORD UNIVERSITY	31002-B	693
47.075	360	UNIVERSITY OF COLORADO	154-1507	4,325
47.075	360	YALE UNIVERSITY	Y-03-0003 AM01	409
47.075	365	FLORIDA ATLANTIC UNIV - FED FLOW	WRE31	6,408
47.075	365	UNIV OF PENNSYLVANIA - FED FLOW	538817A	32
47.075	365	UNIV OF WI GREEN BAY - FED FLOW	WSU000140	35,708
47.076	360	UNIV OF OREGON	UO 204621 - YEAR 2	-3
47.076	360	UNIV OF OREGON	UO 204621-YEAR 3	5
47.076	365	GEORGIA STATE UNIV - FED FLOWTHR	BLF5107	7,742
47.076	380	San Diego State University Foundation	52270A P1623 7811211	29,216
47.076	380	University of Arkansas	SA0106059	1,064
47.076	380	University of California San Diego	10228089	19,255
47.078	360	COLORADO ST UNIV	G-3186-1	6,948
47.078	360	COLORADO ST UNIV	G-3186-1/PO#P311822	102,357
47.078	360	UNIV OF ALASKA	UW Bud# 669481	22,445
47.078	360	UNIV OF CA BERKELEY	SA4106-10100, AM01	93,492
47.078	360	WOODS HOLE OCEANOGRAPH	A100351 MOD1	30,103
59.000	377	WTC	SBA HQ-04-R-0018	7,500
66.000	360	MUNICIPALITY OF ANCHOR	P.O 231332	25,800
66.000	360	PUGET SOUND WATER QUAL	IAC 2000202 AM01	-275
66.000	360	STATE OF IDAHO	C301	36,922
66.000	360	UNIVERSITY OF SOUTHERN	USM-GR01079-A10 AM #5	61,669
66.000	365	AMERICAN FARMLAND TRUST	0317000727920024	659
66.000	365	AMERICAN FARMLAND TRUST	0317000729120034	15,659
66.000	365	AMERICAN FARMLAND TRUST	0317000729120035	25,527

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66.000	365	AMERICAN FARMLAND TRUST	0317000729120036	14,883
66.000	365	AMERICAN FARMLAND TRUST	REGION10200403	190
66.000	365	AMERICAN FARMLAND TRUST	REGION10200404	47,746
66.000	365	AMERICAN FARMLAND TRUST	REGION10200406	35,551
66.000	365	BLACK & VEATCH SPECIAL PROJ CORP	03090047118	33,653
66.000	365	COLUMBIA RIVER INTER-TRIBAL FISH	C0026	-15,061
66.000	365	DTEC SYSTEMS LLC	WSU000153	53,984
66.000	365	ID DEPT HEALTH & WELFARE--FED FL	HC493900	11,450
66.000	365	ID DEPT OF ENVIRONMENTAL QUALITY	C217	-1,486
66.000	365	ID DEPT OF ENVIRONMENTAL QUALITY	C298	1,550
66.000	365	LANE REG AIR POLLUTION AUTH-FED	WSU000144	2,902
66.000	365	MICKEY LELAND NAT'L URBAN AIR T	WSU000007	-145
66.000	365	PUGET SOUND CLEAN AIR AGENCY	WSU000141	-271
66.001	365	ID DEPT OF ENVIR QUAL FED FLOW	C431	23,701
66.419	370	Kalispel Tribe	536452	5,000
66.469	360	UNIV OF WISCONSIN MILW	K043440	27,885
66.500	360	UNIV OF MICHIGAN	F008805,AMD 2	18,049
66.500	360	UNIVERSITY OF OREGON S	E0101B-A, AMEND #2	6,682
66.500	365	WATER ENVIRONMENT RES FOUND	02CTS6	86,646
66.606	360	MONTANA STATE UNIVERSI	GC072-04-Z3518	9,572
66.606	360	MONTANA STATE UNIVERSI	GC073-04-Z3518	45,612
66.606	365	BOISE STATE UNIVERSITY FED FLOW	129G106100	73,730
66.951	365	CAST-CNCL FOR AGRIC SCI TECH	WSU000161	42,355
81.000	360	AMERICAN INSTITUTE OF	UW Bud# 669740	35,984
81.000	360	ASSOC WESTERN UNI	13996-2000UW01 AMEND 3	-666
81.000	360	BATTELLE PACIFIC NW LA	16330	33,673
81.000	360	BATTELLE PACIFIC NW LA	3396-11405 MOD 02	22,836
81.000	360	BATTELLE PACIFIC NW LA	551-8930, MOD02	45,110

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81.000	360	BATTELLE PACIFIC NW LA	6630 T.O. #11457 MOD01	20,170
81.000	360	BATTELLE PACIFIC NW LA	6630,TO14622	26,927
81.000	360	BATTELLE PACIFIC NW LA	9675	21,923
81.000	360	BATTELLE PACIFIC NW LA	MASTERAGRMT6630TO10314	10,714
81.000	360	BATTELLE PACIFIC NW NA	MASTER AGR 6630TO14172	44,394
81.000	360	BECHTEL HANFORD, INC	0000X-SC-G0517	85,519
81.000	360	BROOKHAVEN NATIONAL LA	75936	1,260
81.000	360	BROOKHAVEN NATIONAL LA	87125	81,899
81.000	360	BROOKHAVEN NATIONAL LA	96386	30,306
81.000	360	COLUMBIA RIVER FNDN	18-2004	15,092
81.000	360	ENERGY & ENVIRONMENTAL	7010001104 MOD02	63,742
81.000	360	GENOMATICA, INC	07130401	14,895
81.000	360	INST FOR RESPONSIBLE M	AM08	42,822
81.000	360	INST FOR RESPONSIBLE M	UW Bud# 667725	41,239
81.000	360	LOWER COLUMBIA RIVER E	04-2005	11,828
81.000	360	Materials & Electroche	S9140	23,121
81.000	360	SANDIA NTL LABS	130142, AMEND 3	28,436
81.000	360	SANDIA NTL LABS	184630 (MOD#4)	85,900
81.000	360	SANDIA NTL LABS	374606	28,972
81.000	360	STANFORD UNIVERISTY	P.O. 0000046359, MOD01	15,451
81.000	360	UC - LOS ALAMOS NATION	1540	11,371
81.000	360	UNIV OF CA	B505882 MOD07	35,111
81.000	360	UNIV OF CA	B541344	36,164
81.000	360	UNIV OF CA IRVINE	D97ER40679 AM13	45,562
81.000	360	UNIV OF CA SAN DIEGO	PO #10205818-001	-1,114
81.000	360	UNIV OF CA, ERNEST ORL	6700882, MOD06	387,064
81.000	365	AMER CHEMICAL SOCIETY	WSU000160	28,789
81.000	365	BATTELLE ENERGY ALLIANCE-FED FLO	00014002	21,405

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81.000	365	BATTELLE LABS	327422AN4	583,087
81.000	365	BATTELLE LABS	6633	450,265
81.000	365	BATTELLE LABS	663341771233	4,441
81.000	365	BATTELLE LABS	6794	37,628
81.000	365	BATTELLE LABS	9781	23,674
81.000	365	BECHTEL BWXT IDAHO - FED FLOWTHR	00014002	1,112,834
81.000	365	BECHTEL BWXT IDAHO - FED FLOWTHR	366	-5,416
81.000	365	BECHTEL BWXT IDAHO - FED FLOWTHR	WSU000177	6,573
81.000	365	BECHTEL HANFORD INC - FED FLOWT	0000XSCG0516	29,457
81.000	365	BIOLINES - FED FLOWTHR	WSU000170	27,749
81.000	365	BNFL INC	PORL4027	101,324
81.000	365	CONFEDERATED TRIBES OF UMATILLA	WSU000180	2,417
81.000	365	GREENWOOD RESOURCES INC FED FL	WSU000154	2
81.000	365	GREENWOOD RESOURCES INC FED FL	WSU000178	85,710
81.000	365	IDAHO DEPT OF WATER RESOURCES	DWRCON00483	182
81.000	365	INLAND NW RES ALLIANCE - FED FLO	ASP234	472,620
81.000	365	INLAND NW RES ALLIANCE - FED FLO	M234	124,239
81.000	365	INLAND NW RES ALLIANCE - FED FLO	M234 (SSRI)	66,624
81.000	365	INLAND NW RES ALLIANCE - FED FLO	M234(SSRI)	230,280
81.000	365	MIDWEST RESEARCH INST--FED FLOW	AAD91866801	
81.000	365	MIDWEST RESEARCH INST--FED FLOW	XAA23149002	17,149
81.000	365	N CAROLINA ADV ENERGY CORP - FED	WSU000179	39,586
81.000	365	NATL CONF OF STATE LEGISLATURES	WSU000175	34,873
81.000	365	NEW MEXICO INST OF MINING & TECH	Q00690	4,553
81.000	365	PACIFIC NW ELEC POWER CONS PLAN	CT2004002	-36
81.000	365	RS INFORMATION SYSTEMS INC	GUAR41771209	309
81.000	365	RS INFORMATION SYSTEMS INC	GUAR41771211	-870
81.000	365	RS INFORMATION SYSTEMS INC	S1601AWSU	1,155,409

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81.000	365	S CAROLINA UNIV RES & EDU-FED FL	WSU000135	96,769
81.000	365	SANDIA NAT'L LABORATORIES - FED	A0368	103,880
81.000	365	SANDIA NAT'L LABORATORIES - FED	A0368 DOC#28313	10,284
81.000	365	SANDIA NAT'L LABORATORIES - FED	AW9379	34,614
81.000	365	SANDIA NAT'L LABORATORIES - FED	WSU000174	18,428
81.000	365	UNIV OF CA-BERKELEY - FED FLOW	6490426	27,682
81.000	365	UNIV OF CA-BERKELEY - FED FLOW	6714726	20,000
81.000	365	UNIVERSITY OF CALIFORNIA - FEDER	0719500104	3,397
81.000	365	UNIVERSITY OF CALIFORNIA - FEDER	B530385	-505
81.000	365	UNIVERSITY OF CALIFORNIA - FEDER	B533222	83,278
81.000	365	UNIVERSITY OF CALIFORNIA - FEDER	B538882	15,404
81.000	365	UNIVERSITY OF CALIFORNIA - FEDER	B548970	1,188
81.000	365	UNIVERSITY OF CALIFORNIA - FEDER	GUAR38255134	3,160
81.000	365	UT-BATTELLE LLC FED FLOWTHR	4000008068	188
81.000	365	UT-BATTELLE LLC FED FLOWTHR	4000031344	46,453
81.000	375	U of CA	B533444	3,250
81.000	477	Oregon Dept of Fish & Wildlife	01-4278-S-Fish	321,107
81.000	477	Oregon Dept of Fish & Wildlife	1-0336S	101,886
81.000	477	Pacific States Marine Fisheries Commission	04-51	116,916
81.000	477	Pacific States Marine Fisheries Commission	04-52	23,033
81.000	477	Pacific States Marine Fisheries Commission	04-61	46,809
81.000	477	Pacific States Marine Fisheries Commission	04-71	51,711
81.000	477	Pacific States Marine Fisheries Commission	04-75	28,934
81.000	477	Pacific States Marine Fisheries Commission	04-84	558,811
81.000	477	Pacific States Marine Fisheries Commission	04-90	49,970
81.000	477	Pacific States Marine Fisheries Commission	04-95	14,254
81.000	477	Pacific States Marine Fisheries Commission	05-101	5,571
81.000	477	Pacific States Marine Fisheries Commission	05-102	123,627

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81.000	477	Pacific States Marine Fisheries Commission	05-105	16,314
81.000	477	Pacific States Marine Fisheries Commission	05-106	18,728
81.000	477	Pacific States Marine Fisheries Commission	05-113	193,135
81.000	477	Pacific States Marine Fisheries Commission	05-56	219,876
81.000	477	Pacific States Marine Fisheries Commission	05-64	74,799
81.000	477	Pacific States Marine Fisheries Commission	05-93	34,508
81.049	360	COLORADO ST UNIV	G-3831-1	28,036
81.049	360	MICHIGAN ST UNIV	61-3226A, AM06	69,997
81.086	365	UNIV OF CENTRAL FLORIDA-FED FLO	R99035	34,750
81.087	365	UNIV OF CENTRAL FLORIDA-FED FLO	WSU000098	191,429
81.087	365	UNIV OF COLORADO - FED FLOW THRU	0000042951	99,775
81.104	365	NEW MEXICO INST OF MINING & TECH	Q00690	10,214
81.106	225	Western Governor's Assoc.	C040883FED	104,170
81.114	365	OREGON STATE UNIVERSITY - FED	G0070AB	64,363
81.999	370	Kalispel Tribe	None	25,912
81.999	370	Spokane Tribe	None	66,996
81.999	477	Columbia Basin Fish & Wildlife Foundation	None	141,643
81.999	477	Kalispel Tribe of Indians	None	201,413
81.999	477	South Central WA Resource Conserv & Development	None	60,015
81.999	477	Spokane Tribe of Indians	None	292,626
84.000	360	CINCINNATI-HAMILTON CN	UW Bud# 668585	31,688
84.000	360	COUNCIL ON RURAL SERVI	UW Bud# 668282	31,101
84.000	360	CRAIG HOSP	H133G020182	-395
84.000	360	HEALTH IMPROVEMENT PAR	UW Bud# 669520	12,210
84.000	360	KRELL INSTITUTE	UW Bud# 802414	7,559
84.000	360	NATL BD FOR PROF TEACH	PD-02-0205-014	91,112
84.000	360	NTL WRITING PROJECT CO	92-WA03	27,844
84.000	360	NTL WRITING PROJECT CO	92-WA03-AMEND 18	31,335

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84.000	360	PENN ST UNIV	S05-04	1,624
84.000	360	RAND CONTRACT & GRANT	4099	22,540
84.000	360	RAND CONTRACT & GRANT	4099 MOD03	306,863
84.000	360	SUNNYSIDE SCHOOL DIST	P.O. 6821	-284
84.000	360	SYRACUSE UNIV	S.U. #3572350 MOD03	241,355
84.000	360	UNIV OF IOWA	UW Bud# 669361	149,611
84.000	360	UNIVERSITY OF HAWAII M	CDS-THE U OF WASH AM02	12,712
84.000	360	UNIVERSITY OF PITTSBUR	070153 AM 03	45,015
84.000	360	UNIVERSITY OF PITTSBUR	070153 AM02	27,762
84.000	360	UNIVERSITY OF PITTSBUR	070153, AMEND 1	2,306
84.000	375	Nat. Writing Project	92-WA02	33,166
84.000	699	City of Seattle	DA03-7473	300,927
84.010	699	Contract Training	0405-05	2,235
84.018	360	MACEE	UW Bud# 669703	9,090
84.101	699	Tulalip Tribes	V101A010017-03A	257,045
84.116	360	PENN STATE UNIV	2387-UW-USDE-0029	28,348
84.116	360	UNIV OF ARKANSAS	SA0509155	1,974
84.116	360	UNIV OF COLORADO HLTH	FY03.137.006, AM02	1,347
84.116	360	UNIV OF NEW YORK	F5237.01 AMA02	10,345
84.116	375	State U. of NY	26459	6,309
84.116	376	HAMPSHIRE COLLEGE	P116B020007	20,661
84.116	380	University of Arizona	P713108	9,117
84.116	699	Concurrent Technologies Corp	050100070	14,222
84.126	540	WDC02	Local	-370
84.133	360	UNIV OF CALIFORNIA DAV	990029-UW AM01	63,936
84.133	360	UNIVERSITY ILLINOIS AT	UW Bud# 667053	-50
84.133	365	INLAND NORTHWEST HEALTH SERVICES	WSU000143	104,594
84.203	300	Educational Service District 101	R203F990010-04	13,685

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84.203	699	ESD101	26614G15	43
84.213	699	Clarkston School Dist	51-02-2X-XXX-00	162,721
84.213	699	Wahluke Even Start	0304-73	13,116
84.213	699	Wahluke W/S	0405-01	116,879
84.215	365	EDUCATIONAL SVC DISTR #112	03266	15,618
84.215	365	EDUCATIONAL SVC DISTR #112	03267	19,462
84.215	370	ESD 101	536725,6,7,47,51	208,970
84.215	370	Spokane Public Schools	536456	16,386
84.234	699	Tacoma Goodwill Industris	H234Q020222-01	47,027
84.287	360	YAKIMA VALLEY FARM WOR	UW Bud# 670485	-476
84.287	365	LINCOLN COUNTY - FED FLOWTHR	WSU000152	1,168
84.287	365	SPOKANE SCHOOL DISTR #81 FED FLO	AFSONGWSU	6,423
84.287	370	Cheney School District	536670	27,731
84.295	365	PUBLIC BROADCASTING SERVICE	WSU000147	3,358
84.295	365	PUBLIC BROADCASTING SERVICE	WSU000165	23,010
84.299	699	Auburn School Dist	111-2M32	43,500
84.305	360	UNIVERSITY OF NORTH CA	5-54313, AMD #03	41
84.305	375	U of Wisconsin-Madison	147H862	47,461
84.325	360	UNIV OF OREGON	222471E AM01	7,444
84.334	699	NLA Gear Up	0405-03	3,000
84.363	360	UNIVERSITY OF COLORADO	0702.10.061.07 MOD01	52,022
84.366	365	EDUCATIONAL SVC DISTR #112	04273	34,548
84.366	365	EDUCATIONAL SVC DISTR #112	05266	1,398
84.366	370	ESD 101	536740,536759	63,372
93.000	360	AEHAP	UW Bud# 670795	4,220
93.000	360	ALAN PENN & ASSOCIATES	R44 CA85101	17,224
93.000	360	ALAN PENN & ASSOCIATES	R44CA85101	40,014
93.000	360	ALASKA STAFF DEVELOPME	UW Bud# 665806	-4

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93.000	360	ALBERT EINSTEIN HEALTH	UW Bud# 670796	102,118
93.000	360	ALLEGHENY SINGER RSCH	41094509 AM#4	87,787
93.000	360	ALLEZ PHYSIONIX LTD	UW Bud# 669347	33,454
93.000	360	AMER COLL OF RADIOLOGY	UW Bud# 667805	33,381
93.000	360	AMER COLL OF RADIOLOGY	UW Bud# 668266	310
93.000	360	AMERICAN COL OF RADIOLOGY (ACRIN)	NCA80098, ACRIN 6652	116,171
93.000	360	AMERICAN COLLEGE OF RA	UW Bud# 669148	11,815
93.000	360	AMERICAN PSYCHOLOGICAL	UW Bud# 670895	25,650
93.000	360	ARCHEROPTX, INC.	UW Bud# 668964	4,239
93.000	360	ASCENSION TECHNOLOGY C	2004-001	21
93.000	360	ASSOC OF SCHS OF PUBLI	A1015-21/22	548,024
93.000	360	ASSOC OF SCHS OF PUBLI	S1431-20/22	32,331
93.000	360	ASSOC OF SCHS OF PUBLI	S1774-21/23	60,442
93.000	360	ASSOC OF SCHS OF PUBLI	S1838-21/23	121,488
93.000	360	ASSOC OF SCHS OF PUBLI	S1946-21/23	333,584
93.000	360	ASSOC OF SCHS OF PUBLI	S1956-21/23	288,490
93.000	360	ASSOC OF SCHS OF PUBLI	S2084-22/22	-3,260
93.000	360	ASSOC OF SCHS OF PUBLI	S2084-22/23	49,370
93.000	360	ASSOC OF SCHS OF PUBLI	S2239-23/23	22,155
93.000	360	ASSOC OF SCHS OF PUBLI	S2245-22/22	13,271
93.000	360	ASSOC OF SCHS OF PUBLI	S3146-23/23	58,598
93.000	360	ASSOC OF SCHS OF PUBLI	S3230-23/23	14,900
93.000	360	ASSOC OF TEACHERS OF P	UW Bud# 802490	6,000
93.000	360	ASSOC OF UNIV CNTR ON DISABILITY	2003-03-02	1
93.000	360	ASSOCIATION OF AMERICA	MM-0127-02/02	9
93.000	360	ASSOCIATION OF SCHOOLS	S3456-23/23	49,798
93.000	360	AUCD	2003-03-02	65,382
93.000	360	AUCD	2003-03-02, AM A	166,282

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93.000	360	AUCD	401	56,571
93.000	360	AUCD	AUCD RT01 2004-04-01	79,654
93.000	360	AUCD	AUCD RTOI 2004-01-05	19,742
93.000	360	AUCD	UW Bud# 668861	84,161
93.000	360	BATTELLE PACIFIC NW LABS	14625, MA# 6630	187,826
93.000	360	BAYER CORP	401	5,322
93.000	360	BRIGHAM & WOMENS HOSP	134252	-177
93.000	360	BUCK CTR FOR RSCH IN A	2002 AM04	23,639
93.000	360	BUCK CTR FOR RSCH IN A	2017	16,419
93.000	360	CARNEGIE MELLON UNIV	1090087-145355, AM01	48,940
93.000	360	CASE WESTERN RESERVE U	ZZ2647H AM11	245,033
93.000	360	CENTER TO PROTECT WORK	1030-10	22,853
93.000	360	CHILDERN'S HOSPITAL ME	CHMC 133 MOD03	34,976
93.000	360	CHILDERN'S HOSPITAL ME	CHMC 133 MOD04	41,834
93.000	360	CHILDREN'S HOSP & REGI	HR.7659.127605UW	30,271
93.000	360	CHILDREN'S HOSP & REGI	HR7569 11 7603UW01MOD1	35,840
93.000	360	CHILDREN'S HOSPITAL	HR.7659.126404UW	36,349
93.000	360	CHILDREN'S HOSPITAL & REGIONAL MEDICAL CTR	HR.7659.320203UW01	25,722
93.000	360	CHILDREN'S HOSPITAL MEDICAL CENTER	UW Bud# 667535	85,805
93.000	360	CHILDREN'S HOSPITAL RE	CHMC 133	1,568
93.000	360	CHILDRENS HOSP AND REG	HR.7659.119401UW1 MOD4	9,753
93.000	360	CHILDRENS HOSP LOS ANG	1T02MC00050-01	48,706
93.000	360	CHILDRENS HOSP LOS ANG	1T02MC00050-01, AM01	-23
93.000	360	CHILDRENS HOSP PITTSBU	7001146016100 AM05	213,003
93.000	360	CHILDRENS HOSP PITTSBU	BECKER 19111EC109 AM2B	5,502
93.000	360	CHILDRENS HOSP PITTSBU	BECKER19111EC109 AM02B	-5,478
93.000	360	CHILDRENS HOSPITAL & REGIONAL MEDICAL	UW Bud# 669066	183,569
93.000	360	CLEMSON UNIV	724-7558-223-2003674	-15,843

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93.000	360	COLUMBIA UNIVERSITY	SUBGTANT #11	7,257
93.000	360	COMMUNITY PEDIATRIC FOUNDATION OF WA	UW Bud# 667779	21,475
93.000	360	DENVER HLTH HOSP AUTH	E0596G2	21,654
93.000	360	DUKE CLINICAL RSCH INST	117161	20
93.000	360	DUKE CLINICAL RSCH INST	SITE 123	15,282
93.000	360	DUKE UNIV	1-U01HL6901501SITE6200	3,862
93.000	360	DUKE UNIV	UW Bud# 660626	7,789
93.000	360	DUKE UNIVERSITY	UW Bud# 665902	6
93.000	360	DUKE UNIVERSITY	UW Bud# 668114	2,697
93.000	360	DUKE UNIVERSITY	UW Bud# 668255	3,492
93.000	360	EVANSTON NORTHWESTERN	EH01-121-S1	9,285
93.000	360	FHCRC	04-200312-01-S0855	616
93.000	360	FHCRC	04-200483-01-S0939	39,164
93.000	360	FHCRC	04-200525-01-S0905	28,505
93.000	360	FHCRC	2003 4001-496885 MOD03	40,811
93.000	360	FHCRC	93-2900-25 MOD#12	53,289
93.000	360	FHCRC	93-2906-62 MOD10	63,756
93.000	360	FHCRC	SA-0400010	1,742
93.000	360	FHCRC	SA-0400132 MOD01	14,722
93.000	360	FHCRC	SA-0400162	8,139
93.000	360	FHCRC	SA0400106	28,382
93.000	360	FHCRC	SA0400153	27,771
93.000	360	FHCRC	SA0400177	25,218
93.000	360	FHCRC	SA0400226	4,755
93.000	360	FHCRC	SA0500163	12,577
93.000	360	FHCRC	SA0500178	20,363
93.000	360	FHCRC	SA0500184	36,781
93.000	360	FHCRC	SA0500218	22,706

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93.000	360	FHCRC	SA0500233	8,934
93.000	360	FHCRC	SA0500238	9,285
93.000	360	FHCRC	SA0500252	2,415
93.000	360	FHCRC	SA0500253	82,468
93.000	360	FHCRC	SA0500270	797
93.000	360	FHCRC	UW Bud# 669847	7,543
93.000	360	FHCRC	UW Bud# 669891	797
93.000	360	FOCALPOINT CONSULTING	HHSH230200412021P-S1	26,600
93.000	360	GROUP HEALTH COOPERATI	40096	17,389
93.000	360	GROUP HEALTH COOPERATI	50061UW-GE	9,899
93.000	360	GROUP HEALTH COOPERATI	UW Bud# 668762	23,356
93.000	360	GROUP HEALTH COOPERATI	UW Bud# 669014	5,260
93.000	360	GRP HLTH COOP PUGET SO	0321UW-03	8,465
93.000	360	GRP HLTH COOP PUGET SO	5R0AG17057-02 0561UW03	38,524
93.000	360	GRP HLTH COOP PUGET SO	UW Bud# 667309	7,853
93.000	360	GRP HLTH COOP PUGET SO	UW Bud# 669863	5,901
93.000	360	GRP HLTH COOP PUGET SO	UW Bud# 669885	2,679
93.000	360	HEALTH RESERACH, INC	14-0124-01	-1
93.000	360	HERITAGE COLLEGE	UW Bud# 670510	19,091
93.000	360	HMD THERAPEUTICS	UW Bud# 664675	17
93.000	360	INDIANA UNIV	DK55674 MOD05	47,482
93.000	360	INDIANA UNIVERSITY	UW Bud# 668747	3,714
93.000	360	INFECTIOUS DISEASE RES	UW Bud# 664558	12,855
93.000	360	INFECTIOUS DISEASE RESEARCH INSTITUTE	UW Bud# 666414	2,406
93.000	360	INST FOR SYS BIOLOGY	2003.0015	38,533
93.000	360	INST FOR SYS BIOLOGY	2003.0016	52,225
93.000	360	INSTITUTE FOR SYSTEMS	2004.0007	13,243
93.000	360	INSTITUTE FOR SYSTEMS	2004.0009	2,873

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93.000	360	JACOBUS PHARM CO INC	UW Bud# 667526	144,373
93.000	360	JOHNS HOPKINS UNIVERSI	862913, MOD 01	24,349
93.000	360	KAISER PERMANENTE SOUT	U48/CCU919219-02-1	2,799
93.000	360	LA BIOMEDICAL RSCH INST	UW Bud# 668531	14,496
93.000	360	LEGACY EMANUEL HOSP &	R01 EB 0000734, AM01	2,040
93.000	360	LEGACY EMANUEL HOSP &	R01 EB 00734	108,697
93.000	360	MACRO INTERNATIONAL IN	35049-5S-652	28,184
93.000	360	MASSACHUSETTS GENERAL	N01-AI-15442 MOD#2	-641
93.000	360	MASSACHUSETTS GENERAL	NOIAI15442 MOD#3	268,297
93.000	360	MASSACHUSETTS GENERAL HOSPITAL	NOIAI15442 MOD#3	53,193
93.000	360	MATHSOFT INC	UW Bud# 663583	42,919
93.000	360	MATTEK CORP	UW Bud# 667312	13,378
93.000	360	MAYO CLINIC ROCHESTER	UW Bud# 666180	-440
93.000	360	MAYO CLINIC ROCHESTER	UW Bud# 667254	6,801
93.000	360	MCGILL UNIVERSITY HEAL	R01 HL68553	12,623
93.000	360	MEDICAL UNIV OF S CARO	TS 0793	8,913
93.000	360	MEDICAL UNIVERSITY OF	UW Bud# 668836	26,740
93.000	360	MOLECULAR SCIENCES INS	400-30-8	2,840
93.000	360	MOUNT SINAI SCH OF MED	0254-6482-4609	-1,146
93.000	360	MOUNT SINAI SCH OF MED	0254-6483-4609	140,143
93.000	360	MOUNT SINAI SCH OF MED	025464834609	162,067
93.000	360	MOUNT SINAI SCH OF MED	UW Bud# 669822	4,687
93.000	360	MOUNT SINAI SCH OF MED	UW Bud# 669823	9,870
93.000	360	NATIONAL APPLIED SCIEN	UW Bud# 663546	26,388
93.000	360	NORTH SHORE LONG ISLAN	UW Bud# 667013	-1,935
93.000	360	NORTHWEST RADIOGRAPHY	UW Bud# 664978	849
93.000	360	NW RESEARCH ASSOCIATES	NWRA-04-S-07902-04	32,762
93.000	360	ORAHEALTH CORP	UW Bud# 668661	58,311

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93.000	360	PACIFIC HEALTH RESEARC	PHRI 20101-03-03	-978
93.000	360	PACIFIC HEALTH RESEARC	PHRI 20101-03-05	28,353
93.000	360	PACIFIC TECHNOLOGIES	UW Bud# 666559	85,181
93.000	360	PATIENT INFOSYSTEMS IN	UW Bud# 667584	2,431
93.000	360	PHANTOMS BY DESIGN INC	UW Bud# 663215	4,519
93.000	360	PHANTOMS BY DESIGN INC	UW Bud# 667269	8
93.000	360	PHANTOMS BY DESIGN INC	UW Bud# 668734	27,409
93.000	360	POLICY RESEARCH ASSOCI	185-4552 MOD05	-613
93.000	360	PRIMARY IMMUNODEFICIENCY	N01-A1-30070	78,792
93.000	360	PROGRAM FOR APPROPRIAT	NIH.1213-01708-SUB	11,172
93.000	360	PUBLIC HEALTH - SEATTL	T01277T AM05	5,417
93.000	360	QUANTIGRAPHICS INC	UW Bud# 666127	-1,667
93.000	360	QUANTIGRAPHICS, INC	UW Bud# 661356	9,464
93.000	360	RAND CONTRACT & GRANT	4431, MOD01	66,788
93.000	360	RECONNECTING YOUTH CO	UW Bud# 669248	18,711
93.000	360	RHRC	UW Bud# 668923	32,347
93.000	360	ROCKEFELLER UNIV	5 R01 MH 61399-03	6,561
93.000	360	ROCKEFELLER UNIV	UW Bud# 664125	-29,818
93.000	360	SAIC FREDERICK INC	24XS036, MOD 1	92,500
93.000	360	SAIC FREDERICK INC	24XS111	9,078
93.000	360	SAIC FREDERICK INC	TASK ORDER 002	2,183
93.000	360	SAINT LOUIS UNIVERSITY	UW Bud# 666682	214,617
93.000	360	SAINT LOUIS UNIVERSITY	UW Bud# 667349	10,130
93.000	360	SAN DIEGO STATE UNIVER	53257BP1660 7804211CLH	7,963
93.000	360	SCLERODERMA RSCH FNDN	UW Bud# 800324	33,047
93.000	360	SCRIPPS RSCH INST	5-70562	7,075
93.000	360	SCRIPPS RSCH INST	5-70831	-1,184
93.000	360	SCRIPPS RSCH INST	P.O. #5-70821	-3,307

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93.000	360	SCRIPPS RSCH INST	P.O. #5-70890	23,269
93.000	360	SCRIPPS RSCH INST	P.O.#5-71859	-62
93.000	360	SCRIPPS RSCH INST	PO 5-71273	8,444
93.000	360	SCRIPPS RSCH INST	PO 5-73631	222,302
93.000	360	SCRIPPS RSCH INST	PO 5-73995	186,728
93.000	360	SEATTLE BIOMEDICAL RSC	UW Bud# 665138	-32
93.000	360	SEATTLE BIOMEDICAL RSC	UW Bud# 667308	235
93.000	360	SEATTLE INST FOR CARDIAC RSCH	UW Bud# 665705	6,391
93.000	360	SEATTLE INST FOR CARDIAC RSCH	UW Bud# 668049	7,605
93.000	360	SEATTLE INSTITUTE OF C	UW Bud# 668060	10,485
93.000	360	SEATTLE INSTITUTE OF C	UW Bud# 668902	67,409
93.000	360	SEATTLE KING COUNTY DEPT OF PUBLIC HLTH	T01575T, AM04	3,215
93.000	360	SEATTLE KING COUNTY PU	D34034D	105,254
93.000	360	SEATTLE-KING CO DEPT O	D33774D	196,180
93.000	360	SEATTLE-KING CO DEPT O	T01275T AM05	13,923
93.000	360	SIBCR	UW Bud# 668440	23,632
93.000	360	SOCIAL & SCIENTIFIC SY	96IC005	-675
93.000	360	SOCIAL & SCIENTIFIC SY	A320.63U OF WASH	2,116
93.000	360	SOCIAL & SCIENTIFIC SY	AACTG.27.5170.02 MOD1	8,577
93.000	360	SOCIAL & SCIENTIFIC SY	AACTG.42.UICTU.01 MOD2	75,831
93.000	360	SONIC CONCEPTS INC	UW Bud# 666035	165,178
93.000	360	SOUTH PUGET INTERTRIBA	2811	10
93.000	360	SOUTH PUGET INTERTRIBA	UW Bud# 668397	27,969
93.000	360	SOUTHWEST ONCOLOGY GRO	UW Bud# 666409	11,285
93.000	360	ST LOUIS UNIVERSITY	UW Bud# 666580	201,034
93.000	360	ST LOUIS UNIVERSITY	UW Bud# 666581	48,781
93.000	360	STARPHARMA, LTD.	UOW2004-9	48,631
93.000	360	SYNTRIX, INC	UW Bud# 664804	-166

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93.000	360	TALARIA, INC.	UW Bud# 665507	-11,746
93.000	360	TERANODE CO.	ZRG1 SSSH(01)B	-181,990
93.000	360	THE JOHNS HOPKINS UNIV	8007-31363-1, MOD03	360
93.000	360	The Johns Hopkins Univ	8303-49867-2, MOD.#3	91,054
93.000	360	THE JOHNS HOPKINS UNIV	8303-49867-2, MOD01	38,288
93.000	360	THE JOHNS HOPKINS UNIV	UW Bud# 668130	13,283
93.000	360	THE SCRIPPS RESEARCH I	PO # 5-73624	68,113
93.000	360	THOMAS JEFFERSON UNIV	080-21000-Z24002	500
93.000	360	THOMAS JEFFERSON UNIV	080-21000-Z24003	26,743
93.000	360	THOMPSON, JOHN R.	A1214-21/21	81,519
93.000	360	UCLA	1595-G-BE093-01	-1,521
93.000	360	UCLA	1595-G-CB844	1,521
93.000	360	UCLA	1595-G-EC128	24,345
93.000	360	UNIV OF ALABAMA	HHSN266200400068C	94,033
93.000	360	UNIV OF ALABAMA	N01-HC-95095 AM02	14,977
93.000	360	UNIV OF ALABAMA	UW Bud# 669394	16,233
93.000	360	UNIV OF CA	0845-G-BD281-04	6,239
93.000	360	UNIV OF CA DAVIS	1R01DA01790201 A1	375
93.000	360	UNIV OF CA SAN DIEGO	10135316-006/GALASKO,D	-111
93.000	360	UNIV OF CA SAN DIEGO	10221507-001	72,973
93.000	360	UNIV OF CA SAN DIEGO	10221507-002	364,149
93.000	360	UNIV OF CA SAN DIEGO	PO 10135316-007	1,899
93.000	360	UNIV OF CA SAN DIEGO	PO 10135316-008	269,181
93.000	360	UNIV OF CA SAN DIEGO	PO 10135316-009	42,822
93.000	360	UNIV OF CA SAN FRANCIS	3187SC AM03	1,070
93.000	360	UNIV OF CA SAN FRANCIS	3309SC	-162
93.000	360	UNIV OF CALIFORNIA DAVIS	R25 HG 2903-01	-107
93.000	360	UNIV OF CINCINNATI	P021-040-N151-1105MOD2	11,074

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93.000	360	UNIV OF DUKE	DS 607, AM01	-174
93.000	360	UNIV OF HARVARD	135886, AM03	74,902
93.000	360	UNIV OF HARVARD	135886, AMENDMENTS 1&2	4,077
93.000	360	UNIV OF MARYLAND	UW Bud# 669477	16,819
93.000	360	UNIV OF MARYLAND	Z157101 MOD E	-59
93.000	360	UNIV OF MICHIGAN	3000355256	200
93.000	360	UNIV OF N CAROLINA CHA	UW Bud# 664012	111,545
93.000	360	UNIV OF NORTH CAROLINA	5-35070 AM04	10,518
93.000	360	UNIV OF NORTH CAROLINA	5-35070 AM11	-195
93.000	360	UNIV OF NORTH CAROLINA	UNC 5-56617	-205
93.000	360	UNIV OF NORTH CAROLINA	UNC-CH#5-46627	13,817
93.000	360	UNIV OF PENNSYLVANIA	5-37164-A MOD 04	144,177
93.000	360	UNIV OF SOUTHERN CA	53-5143-5060	14,250
93.000	360	UNIV OF WISCONSIN - MA	PO57061,MOD02	14,853
93.000	360	UNIVERSITY OF ALBERTA	UW Bud# 669427	40,037
93.000	360	UNIVERSITY OF CHICAGO	5-30474-8604 MOD01	5,726
93.000	360	UNIVERSITY OF CONNECTI	3702 AM01	1,541
93.000	360	UNIVERSITY OF HAWAII	C000227 MOD02	248
93.000	360	UNIVERSITY OF HAWAII	C000227 MOD04	-47
93.000	360	UNIVERSITY OF HAWAII	C000227 MOD06	18,102
93.000	360	UNIVERSITY OF SOUTHERN	USC H 30604	16,624
93.000	360	UNIVERSITY OF SOUTHERN	USC H 30604 AM01	15,314
93.000	360	UNIVERSITY OF VERMONT	UW Bud# 668419	22,606
93.000	360	VIRGINIA MASON HOSP AS	UW Bud# 631687	27,855
93.000	360	VISIONGATE, INC.	HHSN261200433010CSBIR1	47,493
93.000	360	WAKE FOREST UNIVERSITY	NO1-HC-9512 MOD06	1,737,956
93.000	360	WAMAX, INC.	UW Bud# 665228	-11,622
93.000	360	WILLIAM MARSH RICE UNI	R20981-2490005	10,960

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93.000	360	YAKIMA TRIBAL COUNCIL	UW Bud# 668967	39,184
93.000	365	FRED HUTCHINSON CANCER RES-FED	20037338509444	-29,713
93.000	365	LINCOLN COUNTY - FED FLOWTHR	WSU000138	16,860
93.000	365	SAIGENE CORPORATION	WSU000181	17,327
93.000	365	UNIV OF NC CHAPEL HILL FED FLOWT	532553	17,660
93.000	365	WHATCOM COUNTY - FED FLOWTHR	200403007	346
93.103	360	UNIVERSITY OF TEXAS/SOUTHWESTERN MEDICAL	FD-R-001661-01	4,956
93.104	370	State of Idaho	536445	239,964
93.110	360	SWEDISH MED CTR	PN-WILM-FMCH-9971.01	24,342
93.110	360	UCLA	1920 G EB631	20,211
93.113	360	FHCRC	04 102554-03-S0789	683,081
93.113	360	FHCRC	04-102554-03-S-0789	1,736
93.113	360	FHCRC	05 102554-03-S1029	21,520
93.113	360	FHCRC	05 102554-04-S1029	227,714
93.113	360	FHCRC	1 U10 ES 11387-01	49,080
93.113	360	FHCRC	2003-2554-499063	26,188
93.113	360	FHCRC	2003-2738-499161	-770
93.113	360	FHCRC	1 U19 ES11387-03	26,177
93.113	360	UNIV OF ALASKA ANCHORA	238017	6,683
93.113	360	UNIV OF CA BERKELEY	SA313832089PG459906AM3	62,484
93.113	360	UNIV OF PENNSYLVANIA	537908	71,158
93.113	360	UNIVERSITY OF CALIFORN	SA3889PG; PO#711688	-3
93.113	360	UNIVERSITY OF FLORIDA	580344512-01/UFPS0029	107,948
93.113	365	UNIVERSITY OF IDAHO-FED	ABK14704A	56,685
93.114	360	HARVARD SCHOOL OF PUBL	2 R01 ES009718	11,230
93.114	360	TEXAS A&M RESEARCH FOU	AGREEMENT S050001 AM01	62,669
93.115	360	UNIV OF CA IRVINE	2003-1263 AM01	-1,039
93.115	360	UNIV OF MONTANA	PG-4260-01 AM04	26,238

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93.121	360	CHILDREN'S HOSPITAL &	HR.7659.111403.UW3	47,273
93.121	360	CHILDRENS HOSP SEATTLE	HR.7659.111403.UW2	3,139
93.121	360	UNIV OF CA SAN FRANCIS	3408SC	124,273
93.121	360	UNIV OF CA SAN FRANCIS	UW Bud# 670874	96,224
93.121	360	UNIV OF FLORIDA	UF01006 MOD03	34,091
93.121	360	UNIVERSITY OF FLORIDA	UF01006 MOD03	60,396
93.121	360	UNIVERSITY OF MINNESOT	B6146038204	338,338
93.121	360	UNIVERSITY OF MINNESOT	U6146038203	-3,913
93.121	360	UNIVERSITY OF MINNESOTA	B6146038204	24,135
93.134	360	HOPE HEART INSTITUTE	1727-02	14,994
93.134	360	HOPE HEART INSTITUTE	1727-03	83,481
93.136	360	JOHNS HOPKINS UNIVERSI	JHU PO# 8208-12075-1	20,338
93.136	360	THE JOHNS HOPKINS UNIV	20845 MOD07	26,392
93.142	360	UCLA	2105 G EB228 AM01	64,451
93.142	360	UCLA	2105G EB227	21,921
93.145	360	UNIV OF CA SAN FRANCIS	3937SC	22,144
93.172	360	FHCRC	04-200215-01-S0848	3,718
93.172	360	FHCRC	05-200215-02S1028	18,936
93.172	360	UNIVERSITY OF CALIFORN	008283-01	21,095
93.172	360	UNIVERSITY OF CALIFORN	008283-01, AM01	84,246
93.173	360	UNIV OF IOWA	4000523511	9,520
93.173	360	UNIVERSITY OF IOWA	4000518240	44,902
93.184	360	JOHN HOPKINS UNIVERSIT	UW Bud# 667507	45,833
93.184	370	Health Improvement Partnership	531344,531338	-1,833
93.185	360	Johns Hopkins Universi	PO # 70264	3,714
93.213	360	BASTYR UNIVERSITY	H72B12-02	-4,209
93.213	360	BASTYR UNIVERSITY	H72B12-03	-3,996
93.213	360	UNIV OF PITTSBURGH	107729-4 AM01	38,530

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93.213	360	UNIV OF PITTSBURGH	109639-4	426,202
93.213	360	YALE UNIV	1 R01 AT002105-01	95,474
93.213	360	YALE UNIV	1 R01 AT002105-02 AM#1	23,925
93.224	360	SEATTLE KING COUNTY	D35108D	24,929
93.224	360	SEATTLE KING COUNTY	D32933D, AM01	211
93.224	360	SEATTLE KING COUNTY	D34155D	49,046
93.226	360	CHILDREN'S HOSP & REGI	HR,7659,123804UW	64,874
93.226	360	COLORADO UNIV	FY04.001.017 AM02	8,016
93.226	360	COLORADO UNIV	FY05001009UWASHAMD3YR4	43,283
93.226	360	GRP HLTH COOP PUGET SO	40008	54,651
93.226	360	GRP HLTH COOP PUGET SO	40119-UW	15,237
93.226	360	MONTEFIORE MEDICAL CEN	5 R18 11866	77,579
93.226	360	MONTEFIORE MEDICAL CEN	5 R18 11866 MOD02	33,852
93.226	360	UNIV OF MONTANA	PG-4218-01 AM02	12,543
93.226	360	UNIVERSITY OF COLORADO	FY05001009UWASHAMD3YR4	80,583
93.226	360	UNIVERSITY OF PITTSBUR	106283 AM02	-616
93.230	360	OREGON HLTH SCI UNIV	GPHPM0027B AM02	53,188
93.230	360	OREGON HLTH SCI UNIV	GPHPM0027B,AM01	14,972
93.230	360	POCAAN	1 H79 T115917-02	88,300
93.230	360	POCAAN	1-H79-T115917-01	27,480
93.233	360	BROWN UNIVERSITY	1471-27462 PO P980425	4,420
93.242	360	CHILDREN'S HOSP & REGI	HR.7659.105604UW02	10,717
93.242	360	COLORADO UNIV	2-5-34978, AMEND. 5	2,125
93.242	360	GRP HLTH COOP	90670UW	62,603
93.242	360	GRP HLTH COOP PUGET SO	90670UW, AMEND. #1	5,044
93.242	360	OREGON RSCH INST	MOD #3	108,491
93.242	360	OREGON RSCH INST	R01 MH065340 MOD#1	37,203
93.242	360	OREGON RSCH INST	UW Bud# 667175	-1,930

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93.242	360	PENN STATE UNIV	2364-UW-DHHS-2988 AM02	71,588
93.242	360	UCLA	0875 G EE631	95,175
93.242	360	UNIV OF COLORADO	MH37373-2-5-73129	-20,168
93.242	360	UNIV OF COLUMBIA	AGREEMENT #2 AMEND #5	29,385
93.242	360	UNIV OF COLUMBIA	AGREEMENT #2 AMENDMENT	42,421
93.242	360	UNIV OF COLUMBIA	AGREEMENT #2,AMEND #5	106,816
93.242	360	UNIV OF COLUMBIA	AGREEMENT #2,AMENDMENT	19,604
93.242	360	UNIV OF ILLINOIS AT CH	030113	4,287
93.242	360	UNIV OF OREGON	211291D AM03	19,163
93.242	360	UNIVERSITY OF COLORADO	FY04 053 002 AM04	47,423
93.242	360	UNIVERSITY OF MARYLAND	Z182801, AM01	19,980
93.242	360	UNIVERSITY OF SOUTHERN	H31544	58,214
93.249	360	UNIV OF MARYLAND AT BA	S01755, MOD04	10,007
93.252	360	SEATTLE KING COUNTY	D34353D	69,392
93.262	360	FHCRC	05-200859-01-S1065	92,545
93.262	360	KAISER FOUNDATION RSCH	115-9327-01	5,717
93.262	360	KAISER FOUNDATION RSCH	115-9327-01M1	17,504
93.262	360	MARY IMOGENE BASSETT H	7382 AM01	11,578
93.262	360	SPONSORED RESEARCH OFF	UW Bud# 667765	4,980
93.273	360	COLORADO UNIV	FY04. 150.001	48,712
93.273	360	IOWA STATE UNIV	430-78-12	42,046
93.273	360	IOWA STATE UNIVERSITY	430-78-12, AM01	137,541
93.273	360	PENN ST UNIV	2827-UW-DHHS-2529	119,769
93.273	360	RESEARCH TRIANGLE INST	7-48U-7901 MOD 04	290
93.273	360	RESEARCH TRIANGLE INST	7-48U-7901 MOD 05	3,506
93.273	360	SAN DIEGO STATE UNIVER	53257AP16607804 211CSM	16,565
93.273	360	UNIVERSITY OF WISONSIN	L334644	14,727
93.273	365	PACIFIC INSTITUTE FOR RES & EVAL	WSU000004	3,787

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93.273	376	University of Wa.	839178	35,662
93.279	300	RMC Research	DASA 8376	131,497
93.279	360	DUKE UNIV	04-SC-NIH-1013, MOD01	53,962
93.279	360	IOWA STATE UNIV	430-46-16 AM02	-481
93.279	360	NORTHEASTERN UNIVERSIT	549505	190,809
93.279	360	VIRGINIA COMMONWEALTH	520647/PO#0636199	2,760
93.283	360	ASSOC OF SCHS OF PUBLI	D3295-23/23	64,622
93.283	360	ASSOCIATION OF AMERICA	MM-0625-04/04	207,257
93.283	360	CHILDRENS HOSP SEATTLE	HR.7659.110404UW03MOD1	4,402
93.283	360	CHILDRENS HOSP SEATTLE	HR.7659.110405UW01	59,521
93.283	360	CHILDRENS HOSP SEATTLE	HR.7659.110405UW03	90,805
93.283	360	CHILDRENS HOSP SEATTLE	HR76591110405UW02	55,901
93.283	360	SEATTLE KING COUNTY	D34198D	39,235
93.283	360	SEATTLE KING COUNTY	D34949D	11,086
93.283	360	SEATTLE-KING COUNTY DE	D34121D, AM02	80,451
93.283	360	SEATTLE-KING COUNTY DE	D34158D	4,154
93.283	360	SOUTHERN CALIFORNIA PE	U48/CCU919219-04-3	-2,392
93.283	360	SOUTHERN CALIFORNIA PE	U48/CCU919219-04-4	27,300
93.283	360	UNIV OF COLORADO	FY04.051.006	48,122
93.283	360	UNIV SOUTH CAROLINA	03-755	21,135
93.283	360	UNIV SOUTH CAROLINA	04-0916, AM01	-29,466
93.283	360	University of Colorado	FY05.253.003, AMEND 1	59,062
93.283	360	USC	05-1040, PO#41801	50,627
93.283	365	COMMUNITY CHOICES 2010-FED FLOW	200520	12,155
93.286	360	COLORADO ST UNIV	G-4628-1, MOD02	157,933
93.286	360	RUTGERS UNIV	1586/4-29551-10578	-177
93.286	360	RUTGERS UNIV	1789 RU ACCT# 429620	60,583
93.286	360	UNIV OF ARKANSAS	ARIA 07750	44,546

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93.286	360	UNIV OF CA, IRVINE	2003-1328 MOD01	90,252
93.286	360	UNIVERSITY OF CONNECTI	03-0652	8,926
93.333	360	PUGET SOUND BLOOD CTR	931-UW1-2001-2006	23,909
93.361	360	BAYLOR COLL OF MED	123697	-5,995
93.361	360	BAYLOR COLLEGE OF MEDI	PO 4600412829, AM02	41,241
93.361	360	FHCRC	04-200652-01-S0969	49,259
93.361	360	OREGON HEALTH SCIENCES	GS0N00135A	34,510
93.361	360	SWEDISH MED CTR	NR07787-04	25,199
93.361	360	UNIV OF CA SAN FRANCIS	2718SC AM03	94,330
93.361	360	UNIV OF CA SAN FRANCIS	2718SC-AM02	-28,928
93.361	360	UNIV OF CA SAN FRANCISCO	2718SC AM03	20,743
93.389	360	MONTANA STATE UNIV	G00205Z3532 MOD01	69,357
93.389	360	STANFORD UNIVERISTY	PY-0505, AM05	16,889
93.389	360	UNIV OF WISCONSIN - MA	P389885 MOD01	290,264
93.389	360	UNIV OF WISCONSIN MADI	P387763	47,538
93.393	360	FHCRC	03-103164-04-S0341	-1
93.393	360	FHCRC	04-102279-04-S0827MOD1	11,763
93.393	360	FHCRC	04-102490-03-S0868	42,647
93.393	360	FHCRC	04-106157-03-S0910	1,813
93.393	360	FHCRC	04-106734-04-S0922	4,620
93.393	360	FHCRC	04-200198-01-S0786	3,015
93.393	360	FHCRC	05-107656-02-S1046	34,576
93.393	360	FHCRC	05-200885-01-S1131	6,180
93.393	360	FHCRC	0520089001S1069PO57513	9,548
93.393	360	FHCRC	2002-7065-488951 AM03	72,589
93.393	360	FHCRC	2003-2490-501628	-2
93.393	360	FHCRC	2003-6157-511333	-59
93.393	360	FHCRC	2003-6739-499159 AM01	4,607

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93.393	360	FHCRC	R01 CA54498	61,670
93.393	360	FHCRC	SA-0400138	14,426
93.393	360	FHCRC	SA0400128	3,321
93.393	360	FHCRC	SA0500214	22,415
93.393	360	FHCRC	SA0500244	16,926
93.393	360	GROUP HEALTH COOPERATI	#40038	28,358
93.393	360	GROUP HEALTH COOPERATI	50061 UW-PH	138,339
93.393	360	GRP HLTH COOP PUGET SO	40001	11,265
93.393	360	UNIVERSITY OF TEXAS	5 U01 CA088278-03	-21
93.393	360	UNIVERSITY OF TEXAS	5 U01CA 088278-03 MOD1	4,577
93.394	360	CHILDREN'S MEMORIAL HO	900572 MOD02	11,669
93.394	360	CHILDREN'S MEMORIAL HO	900573 MOD3	16,337
93.394	360	FHCRC	04-200553-01-S0977	13,150
93.394	360	FHCRC	05-200909-01-S1127	21,457
93.394	360	FHCRC	2002-6317-495736, AM02	7,157
93.394	360	FHCRC	2003-6312-494608 MOD01	-32
93.394	360	WEST VIRGINIA UNIVERSI	01-335-UW	20,893
93.395	360	AMERICAN COLLEGE OF SUREONS ONCOLOGY GROUP	UW Bud# 664052	4,987
93.395	360	CHILDREN'S HOSPITAL	HR.7659.343605UW01	2,232
93.395	360	DUKE UNIV	UW Bud# 667650	167
93.395	360	EPIMMUNE INC.	UW Bud# 668443	66,332
93.395	360	FHCRC	04-103319-04-S1049	36,923
93.395	360	FHCRC	04-104125-05-S0950	339,289
93.395	360	FHCRC	04-104161-02-S0849	1,461
93.395	360	FHCRC	04-104161-02-S0850	3,335
93.395	360	FHCRC	05-104161-03-S1054	1,097
93.395	360	FHCRC	05-200728-01-S0994	12,403
93.395	360	FHCRC	0510416103S1053PO57369	44,134

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93.395	360	FHCRC	0520089201S1070PO57589	43,521
93.395	360	FHCRC	SA 0400139	51,948
93.395	360	FHCRC	SA0500250	54,448
93.395	360	SOUTHWEST ONCOLOGY GRO	SWOG-04022	8,277
93.395	360	SOUTHWEST ONCOLOGY GRO	SWOG-0403	47,345
93.395	360	SOUTHWEST ONCOLOGY GRO	SWOG-05002	5,265
93.395	360	SOUTHWEST ONCOLOGY GRO	SWOG-05016	24,827
93.395	360	SOUTHWEST ONCOLOGY GRO	SWOG-05017	4,127
93.395	360	ST JUDE CHILDREN RSCH	5 R01CA087903PO7047123	1,346
93.395	360	SWEDISH MED CTR	TI-RIVS-FNIH-7701.28	5,195
93.395	360	UNIV OF MICHIGAN	F005237, AM04	24,481
93.395	360	VIRGINIA MASON RSCH CT	1722.03	-203
93.395	365	FRED HUTCHINSON CANCER RES-FED	0410733802S0936	129,720
93.395	365	FRED HUTCHINSON CANCER RES-FED	051073380351192	18,628
93.395	365	MEDICAL UNIV OF SOUTH CAROLINA	1R01CA10255801A1	33,063
93.396	360	FHCRC	03-104162-04-S0444 AM2	11,675
93.396	360	FHCRC	05-200652-02-S1194	16,420
93.396	360	WASHINGTON UNIVERSITY	PO NO.29146C/WU-03-122	12,260
93.397	360	FHCRC	03-101025-01-SO726	94,444
93.397	360	FHCRC	04-101019-02-S0926	204,527
93.397	360	FHCRC	04-102860-05-S0832	17,219
93.397	360	FHCRC	04-102860-05-S0834	2,975
93.397	360	FHCRC	04-102862-05-S08337	126,237
93.397	360	FHCRC	04-102866-05-S0841	3,843
93.397	360	FHCRC	04-102866-05-S0842	-62
93.397	360	FHCRC	04-102867-05-S0831	65,409
93.397	360	FHCRC	04-102867-05-S0843	2,894
93.397	360	FHCRC	04-102869-05-S0857	4,834

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93.397	360	FHCRC	04-200289-01-S0853	9,665
93.397	360	FHCRC	04-200289-01-S0854	17,658
93.397	360	FHCRC	04-200306-01-S0923	38,350
93.397	360	FHCRC	04-200306-01-S0934	3,930
93.397	360	FHCRC	04-200392-02-S0901	21,218
93.397	360	FHCRC	04-200393-02-S0883 AM1	25,444
93.397	360	FHCRC	04-200416-02-S0919	31,337
93.397	360	FHCRC	05-101019-03-S1226	31,677
93.397	360	FHCRC	05-101025-03-S1224	47,356
93.397	360	FHCRC	05-101035-03-S1223	27,852
93.397	360	FHCRC	05-101047-03-S1222	96,867
93.397	360	FHCRC	05-101150-03-S1220	14,865
93.397	360	FHCRC	05-103866-03-S1219	70,481
93.397	360	FHCRC	05-200306-02-S1105	5,403
93.397	360	FHCRC	05-200312-02-S1052	3,081
93.397	360	FHCRC	05-200921-02-S1099	13,585
93.397	360	FHCRC	05-200925-02S1100 &AM1	11,100
93.397	360	FHCRC	05-200964-01-S1153	22,655
93.397	360	FHCRC	0520028902S1057PO57371	31,107
93.397	360	FHCRC	0520030602S1098PO57787	50,669
93.397	360	FHCRC	0520030602S1104PO78269	9,944
93.397	360	FHCRC	0520030802S1058PO57371	67,280
93.397	360	FHCRC	0520090003S1227PO58847	58,359
93.397	360	FHCRC	0520091902S1087PO57737	61,502
93.397	360	FHCRC	0520092802S1101PO57776	19,445
93.397	360	FHCRC	0520092902S1102PO57777	643
93.397	360	FHCRC	0520093002S1103PO57777	12,458
93.397	360	FHCRC	0520097902S1091PO57691	895

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93.397	360	FHCRC	2002-2862-499207	-6
93.397	360	FHCRC	2002-2869-482493 MOD06	-9
93.397	360	FHCRC	2003-2854-499221	11,037
93.397	360	FHCRC	2003-2860-499204	-4,911
93.397	360	FHCRC	2003-2866-499157	-1
93.397	360	FHCRC	UW-05-200952-01-S1108	4,781
93.397	360	FHCRC	UW-05-200953-01-S1119	13,676
93.397	360	FHCRC	UW-05-200953-01-S1120	22,625
93.397	360	FHCRC	UW0520093601S1111PO579	9,918
93.397	360	N CA INST RSCH EDUC	UW Bud# 669152	339
93.397	360	UNIV OF CA SAN FRANCIS	3641SC	6,655
93.399	360	CANCER RESEARCH & BIOS	20104-UW	-2,318
93.399	360	FHCRC	03-103832-02-S0715	-3,393
93.399	360	FHCRC	04-102274-05-S1086	75,401
93.399	360	FHCRC	04-102649-02-S0913	35,536
93.399	360	FHCRC	04-102669-02-S0864	4,882
93.399	360	FHCRC	04-102736-02-S0777	-4,178
93.399	360	FHCRC	04-102738-02-S0778	770
93.399	360	FHCRC	04-102805-03-S0822	3,366
93.399	360	FHCRC	04-103828-03-S0957	169,657
93.399	360	FHCRC	04-103832-03-S1124	4,054
93.399	360	FHCRC	04-103833-03-S0955	29,842
93.399	360	FHCRC	04-103834-03-S0954	207,394
93.399	360	FHCRC	04-103835-03-S0956	4,238
93.399	360	FHCRC	04-103837-03-S1004	103,966
93.399	360	FHCRC	04-103838-03-S1003	51,445
93.399	360	FHCRC	04-103839-03-S1166	4,218
93.399	360	FHCRC	04-103839-03-S1167	6,301

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93.399	360	FHCRC	04-105199-02-S0880	-1,730
93.399	360	FHCRC	04-106747-02S0947	16,056
93.399	360	FHCRC	04-108123-05-S0780	1,595
93.399	360	FHCRC	05-102736-03-S1007	264,261
93.399	360	FHCRC	05-102805-04-S01061	20,421
93.399	360	FHCRC	0520090601S1088PO57643	12,375
93.399	360	FHCRC	2003-3827-499087	-1
93.399	360	FHCRC	2003-3828-499083	-7,504
93.399	360	FHCRC	2003-3828-511949	-17,222
93.399	360	FHCRC	2003-3831-511947	-242
93.399	360	FHCRC	2003-3834-499066	-66
93.399	360	FHCRC	2003-3837-511695	-8,812
93.399	360	FHCRC	2003-3838-511950	-145
93.399	360	FHCRC	2003-3839-504388	-2,340
93.399	360	FHCRC	PO5889440510674703S122	3,415
93.399	360	FHCRC	SA0400109	1,729
93.399	360	FHCRC	SA0400147 P.O.510385	7,026
93.399	360	FHCRC	SA0500202	7,875
93.399	360	FHCRC	SA0500232	8,647
93.399	360	FHCRC	SA0500242	7,613
93.399	360	FHCRC	SA0500257	2,359
93.399	360	FHCRC	UW Bud# 669715	11,918
93.399	360	FHCRC	UW Bud# 669716	40,728
93.399	360	GRP HLTH COOP PUGET SO	CRN-94016-UW	22,913
93.399	360	NSABP FNDN	NWLR-20 AM05	22,925
93.399	360	SOUTHWEST ONCOLOGY GRO	PCPT 9352	13,051
93.399	360	SOUTHWEST ONCOLOGY GRO	SELECT-04008	53,467
93.399	360	SOUTHWEST ONCOLOGY GROUP	SELECT-04008	4,466

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93.399	360	UNIV OF CA DAVIS	00RA7102-UW AMEND#A-05	109,968
93.399	360	UNIV OF CA DAVIS	00RA7102-UW-03 AMA02	38,185
93.399	360	UNIV OF CA DAVIS	K-013506-UW	12,494
93.399	360	UNIV OF CADAVIS	00RA7102-UW AMEND A-04	-17,698
93.399	360	University of Californ	OORA7102-UW-02 AM03	832
93.570	365	NATL COLLEGIATE ATHLETIC-FED FL	NYSPPF041187	48,763
93.570	365	NATL COLLEGIATE ATHLETIC-FED FL	NYSPPF051195	15,994
93.575	360	CLEMSON UNIV	831-7558-223-2094226	32,652
93.575	360	UNIVERSITY OF MISSISSI	03-11-031, MOD01	60,633
93.575	365	SCHOOLS OUT WASHINGTON	WSU000082	330
93.575	365	SCHOOLS OUT WASHINGTON	WSU000155	38,005
93.575	365	SCHOOLS OUT WASHINGTON	WSU000156	36,292
93.575	365	WA ST CHILD CARE RES & REF NETW	WSU000103	9
93.590	699	Tukwila Family Practice	111-4L39	14,278
93.596	365	SCHOOLS OUT WASHINGTON	WSU000146	22,403
93.600	365	CHILDREN'S HOME SOC WASHINGTON	NONE	16,701
93.600	699	Evenstart	1451111S03	2,988
93.600	699	Headstart	34402171935440	100,017
93.600	699	PSESD	10CH010421	163,032
93.600	699	PSESD	1T19,22,23	148,938
93.658	370	State of Idaho	536691-94,96	1,609,032
93.837	360	ALBERT EINSTEIN COLLEG	9-526-4907	863
93.837	360	AXIO RSCH CORP	500-25 AM07	3,380
93.837	360	BARLOW SCIENTIFIC INC	2 R44 HL 07030356	19,042
93.837	360	CEDARS-SINAI MED CTR	51544-01-00	422
93.837	360	CEDARS-SINAI MED CTR	UW Bud# 668427	225,566
93.837	360	CHILDRENS HOSP & RSCH	HL 12.8044.C-UOFW AM 2	399,155
93.837	360	CHILDRENS HOSP & RSCH	HL/12.8044.B-UOFW	209,109

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93.837	360	CHILDRENS HOSP OF PHIL	20636-01-01	-493
93.837	360	CHILDRENS HOSP OF PHIL	20636-02-01	73,887
93.837	360	CHILDRENS HOSP OF PHIL	20636-03-01	284
93.837	360	CLEVELAND CLINIC FOUND	5 R01 HL 62526-04 AM#2	806
93.837	360	CLEVELAND CLINIC LERNE	UW Bud# 668883	10,041
93.837	360	FHCRC	05-200915-01-S1126	44,245
93.837	360	FHCRC	SA-0400090	-6,835
93.837	360	GROUP HEALTH COOPERATI	PO#40047	19,095
93.837	360	HARBOR UCLA RESEARCH &	PO# 0000101389	1,029
93.837	360	JOHNS HOPKINS UNIVERSI	8402-14575-2 AM01	23,794
93.837	360	Medical College of Wis	PO# 754074	2,447
93.837	360	Medical College of Wis	UW Bud# 668882	7,729
93.837	360	N CA INST RSCH EDUC	2 FRAM 761-01, AM02	605,041
93.837	360	N CA INST RSCH EDUC	R01 HL 073208-AM01	31,821
93.837	360	PATHWAY MRI, INC.	UW Bud# 668079	140,336
93.837	360	SEATTLE-KING COUNTY DE	D33109D AM 02	27,055
93.837	360	TUFTS NEW ENGLAND MEDI	MOA R01HL069003-01A1M1	17,336
93.837	360	TUFTS NEW ENGLAND MEDICAL CENTER	UW Bud# 669804	3,554
93.837	360	UNIV OF CA SAN DIEGO	10222708-001	11,035
93.837	360	UNIV OF MICHIGAN	F009109 HR071759, AM01	19,405
93.837	360	UNIV OF MINNESOTA	S6636266905	23,668
93.837	360	UNIV OF MINNESOTA	S6636266906	22,057
93.837	360	UNIVERSITY OF COLORADO	FY05.001.012 UWASHYR02	133,143
93.837	360	UNIVERSITY OF MICHIGAN	UW Bud# 668188	38,290
93.837	360	UNIVERSITY OF MISSISSI	UMMC-02-66141, AM02	138,388
93.837	360	WAKE FOREST UNIVERSITY	54346 AM01	10,080
93.838	360	BAYLOR COLLEGE OF MEDI	UW Bud# 668844	83,222
93.838	360	CHILDREN'S HOSPITAL	UW Bud# 664314	6,988

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93.838	360	CHILDREN'S HOSPITAL	UW Bud# 666674	3,055
93.838	360	CHILDREN'S HOSPITAL BO	1 R01 HL 072938-01	6
93.838	360	CHILDREN'S MERCY HOSPI	04-0003	67,526
93.838	360	CHILDRENS HOSP OF PHIL	00481-05-03	27,254
93.838	360	CHILDRENS MERCY HOSP	03-0001	-1,654
93.838	360	COLUMBIA UNIV	SUBAWRD #7	55,948
93.838	360	UNIV OF IOWA	P.O # 400088126, AM03	31,150
93.838	360	UNIVERSITY OF PITTSBUR	106908-1, AMEND #1	8,989
93.838	360	UNIVERSITY OF PITTSBUR	106908-2	6,949
93.838	360	WAKE FOREST UNIVERSITY	WFUHS17168	101,848
93.838	360	WASHINGTON UNIVERSITY	PO# 29161Q / WU-04224	269,924
93.839	360	FHCRC	04-103544-03-S0914	15,840
93.839	360	FHCRC	04-105423-03S0810	1,046
93.839	360	FHCRC	05-103544-04-S1175	5,280
93.839	360	FHCRC	0510542304S1092PO57750	10,694
93.846	360	DARTMOUTH COLLEGE	5-30314	-183
93.846	360	JOHNS HOPKINS UNIVERSI	8407-50967-X	63,928
93.846	360	MAYO CLINIC ROCHESTER	PER NOGA, SITE #1	130,997
93.846	360	MAYO CLINIC ROCHESTER	SITE 5	-4
93.846	360	MAYO CLINIC ROCHESTER	SUBAWARD NO. 7	4,936
93.846	360	STANFORD UNIVERSITY	13458140-30300-B	24,380
93.846	360	UNIVERSITY OF UTAH	2105088, AM02	2,363
93.846	360	UNIVERSITY OF UTAH	2105088, AM03	25,736
93.846	360	UNIVERSITY OF UTAH	2105089/R01-AR46077AM1	-13,136
93.847	360	CHILDREN'S HOSPITAL OF	70016-048141-100	38,116
93.847	360	GEORGE WASHINGTON UNIV	03-C24	-22
93.847	360	GEORGE WASHINGTON UNIV	03C21PTA233013CCLS2018	990
93.847	360	GEORGE WASHINGTON UNIV	04-C02	438,189

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93.847	360	GEORGE WASHINGTON UNIV	04-D16,MOD 1	209,225
93.847	360	GEORGE WASHINGTON UNIV	04E075-U01-DK061055-04	155,493
93.847	360	GEORGE WASHINGTON UNIV	04E08PTA233014CCLS2022	202,299
93.847	360	GEORGE WASHINGTON UNIV	05C02UND5U01DK04848912	288,054
93.847	360	GEORGE WASHINGTON UNIVERSITY	04-D16	132,673
93.847	360	UNIV OF COLORADO	FY03051003UWAMD2YR3	74,369
93.848	360	MAYO CLINIC ROCHESTER	PRIMEAWDNO5R0156924-04	56,443
93.848	360	OREGON HLTH SCI UNIV	J748D, AM NO. 3	57,415
93.848	360	UNIV OF TEXAS	GMO 900069, MOD06	137,188
93.848	360	UNIVERSITY OF MINNESOT	S6636457101	64,677
93.848	360	UNIVERSITY OF NORTH CA	5-52022	26,737
93.848	360	UNIVERSITY OF NORTH CAROLINA-CH	5-52022	37,492
93.848	360	WA UNIV	29450G WU-03-108 AM01	40,347
93.848	360	WAKE FOREST UNIVERSITY	NONE, AM04-REVISED	78,246
93.848	360	WAKE FOREST UNIVERSITY	NONE, AM05	548,048
93.849	360	FHCRC	SA0400126	-16,453
93.849	360	FHCRC	SA0500222	229,421
93.849	360	INDIANA UNIVERSITY	UW Bud# 668667	298,106
93.849	360	UNIV OF INDIANA	39903-0302 AM006	16,709
93.849	360	UNIVERSITY OF UTAH	2302152	123,435
93.849	360	VIRGINIA COMMONWEALTH	520638/PO 650227	265
93.849	360	VIRGINIA COMMONWEALTH	522887/PO P525781	-10,822
93.849	360	VIRGINIA COMMONWEALTH	524580/PO P477547	99,972
93.849	360	WA UNIV	29618S/WU-02-85, AM03	366,401
93.853	360	BAYLOR COLLEGE OF MEDI	PO 4600507997	31,853
93.853	360	BAYLOR COLLEGE OF MEDI	PO 4600507997, AM01	189,521
93.853	360	COLUMBIA UNIV	SUBGRANT 1, AM02	60,151
93.853	360	COLUMBIA UNIV	SUBGRANT 2	18,105

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93.853	360	GEORGETOWN UNIVERSITY	RX 4265-032-UWASH MOD1	2,282
93.853	360	HEALTH RESEARCH, INC.	2085-01 AM 02	93,843
93.853	360	Johns Hopkins Univ	PO#8111-66874-8	13,338
93.853	360	JOHNS HOPKINS UNIVERSI	P.O. 811-66874-8 MOD03	67,131
93.853	360	OREGON HLTH SCI UNIV	GPHY00063A, AM01	2,725
93.853	360	OREGON HLTH SCI UNIV	GPHY00063A, AM03	35,240
93.853	360	RESEARCH FOUNDATION OF	41507-00 01 A	13,860
93.853	360	RESEARCH FOUNDATION OF	41507-00 05 A	19,554
93.853	360	UMDNJ NJ MEDICAL SCHOO	AM04	149,472
93.853	360	UNIV OF CA DAVIS	00RA5135, AM02	-2,989
93.853	360	UNIV OF CA SAN DIEGO	PO10230945AM01	15,943
93.853	360	UNIV OF CA SAN FRANCIS	2218SC/444927-33503AM2	-1
93.853	360	UNIV OF CINCINNATI	P021-040-N151-1105MOD2	35,607
93.853	360	UNIV OF CINCINNATI	UW Bud# 666489	-774
93.853	360	UNIV OF CINCINNATI	UW Bud# 667578	13,798
93.853	360	UNIV OF KENTUCKY	UKRF 4-63683-00-324AM4	57,871
93.853	360	UNIV OF TEXAS	117006/115709	20,923
93.853	360	UNIVERSITY OF IOWA	PO #4000507969 AM03	45,673
93.853	360	UNIVERSITY OF IOWA	PO #4000517671 AM04	204,964
93.853	360	UNIVERSITY OF IOWA	PO 40000507969	4,477
93.853	360	UNIVERSITY OF IOWA	PO 40000517671 AMED#04	24,862
93.853	360	UNIVERSITY OF PUERTO R	916-00-1537	32,671
93.853	360	VANDERBILT UNIV	9235-R	11,961
93.853	360	VANDERBILT UNIVERSITY	9235-R, MOD #2	131,095
93.853	360	WA UNIV	PO#29708M	-36
93.853	360	WA UNIV	UW-03-65 PO NO. 29325G	1,844
93.853	360	WA UNIV	UW-04-150	31,079
93.853	360	WASHINGTON UNIVERSITY	UW-04-117 PO NO 29004P	26,741

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93.853	365	OR HEALTH SCIENCES UNIV - FED FL	8410671	35,785
93.855	360	CHILDREN'S HOSPITAL	HR7659.149405UWON	5,650
93.855	365	HOPE HEART INSTITUTE	406741	2,409
93.856	360	BECKMAN RSRCH INST OF	203	167,190
93.856	360	CHILDREN'S RESEARCH IN	UW Bud# 668214	146,643
93.856	360	DANA-FARBER CANCER INS	5 PO1 AI-48240, AM04	-36
93.856	360	DANA-FARBER CANCER INS	5 PO1 AI-48240, AM06	218,146
93.856	360	DUKE UNIV	DS607 AM03	77,347
93.856	360	FHCRC	03-106153-04-S0820	-620
93.856	360	FHCRC	04-103223-03-S0912	29,117
93.856	360	FHCRC	04-103864-02-S0975	31,940
93.856	360	FHCRC	04-104-823-02-S0916	136,744
93.856	360	FHCRC	04-1041269-02-S1090	25,604
93.856	360	FHCRC	04-104523-07-S0892	81,251
93.856	360	FHCRC	04-104558-05-S0888 AM1	11,341
93.856	360	FHCRC	04-104559-04-S0452	851
93.856	360	FHCRC	04-104559-05-S0982	67,526
93.856	360	FHCRC	04-104820-02-S0915	117,133
93.856	360	FHCRC	04-104821-02-S100	93,543
93.856	360	FHCRC	04-104825-02-S099	100,459
93.856	360	FHCRC	04-104826-02-S0918 AM1	189,341
93.856	360	FHCRC	04-104827-02-S0917	205,368
93.856	360	FHCRC	04-104848-02-S0958	200,218
93.856	360	FHCRC	04-104890-03-S0924	18,339
93.856	360	FHCRC	04-104901-05-S0773 A1	21,115
93.856	360	FHCRC	04-104901-05-S0773 A2	96,850
93.856	360	FHCRC	04-104903-05-S0830	27,052
93.856	360	FHCRC	04-104903-05-S0830 AM1	115,492

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93.856	360	FHCRC	04-104903-05-S0869	55,638
93.856	360	FHCRC	04-104907-05-S0774 AM1	1,119,941
93.856	360	FHCRC	04-106153-05-S0967	467,190
93.856	360	FHCRC	04-108164-04-S0787	-7,692
93.856	360	FHCRC	04-108164-05-S0974	41,702
93.856	360	FHCRC	04-108164-05-S0974 A2	598,616
93.856	360	FHCRC	04-108281-03-S0943	168,524
93.856	360	FHCRC	05-104559-05-S0981	128,909
93.856	360	FHCRC	05-104559-05-S1162	6,970
93.856	360	FHCRC	05-104821-03-S1202	27,077
93.856	360	FHCRC	05-104825-03-S1205	39,689
93.856	360	FHCRC	05-104826-03-S1207	13,741
93.856	360	FHCRC	05-104827-03-S1209	61,726
93.856	360	FHCRC	05-200198-02-S0997	140,799
93.856	360	FHCRC	05-200675-01-S0995	125,569
93.856	360	FHCRC	051042304S1164PO583312	54,125
93.856	360	FHCRC	0510482303S1204PO58766	47,887
93.856	360	FHCRC	0510484803S1181PO58640	40,069
93.856	360	FHCRC	2000-4807-439262	-5,664
93.856	360	FHCRC	2001-104511-457158 AM4	1,394
93.856	360	FHCRC	2001-4515-457159 AM006	20,916
93.856	360	FHCRC	2001-4517-457160 MOD06	-5,124
93.856	360	FHCRC	2001-4807-462962	-3,021
93.856	360	FHCRC	2001-4827-473005	-414
93.856	360	FHCRC	2002-4807-484857	8,685
93.856	360	FHCRC	2002-4822-489110	-356
93.856	360	FHCRC	2003-4823-508845	-10,810
93.856	360	FHCRC	2003-4826-508936 AM01	-55,079

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93.856	360	FHCRC	2003-4848-508087	-3,831
93.856	360	FHCRC	2003-4890-510398	-272
93.856	360	FHCRC	2003-4901-497643	-1,406
93.856	360	FHCRC	2003-8281-511591	-47,191
93.856	360	FHCRC	PO5876710510482003S120	16,811
93.856	360	FHCRC	R01 AI47378	15,708
93.856	360	FHCRC	V01A146702-05	8,699
93.856	360	JOHNS HOPKINS UNIV	40151 MOD06	-11,393
93.856	360	JOHNS HOPKINS UNIV	8007-31363-1, MOD04	50,700
93.856	360	JOHNS HOPKINS UNIV	AI37984	1,700
93.856	360	JOHNS HOPKINS UNIV	P0 8005-26978-5 MOD04	29,522
93.856	360	JOHNS HOPKINS UNIV	PO 8005-26978-5 MOD 2	-4,488
93.856	360	MAGEE-WOMENS HOSP	26-3301-6402, MOD#5*	95,965
93.856	360	MAGEE-WOMENS HOSP	26-3301-6403,MOD06	20,967
93.856	360	MAGEE-WOMENS HOSP	26-3301-6403,MOD07	143,653
93.856	360	MAGEE-WOMENS HOSP	26-3301-6411	12,902
93.856	360	MAGEE-WOMENS HOSP	26-3301-6411, MOD02	261,881
93.856	360	MAGEE-WOMENS HOSP	26-3301-6490	-22,465
93.856	360	MOUNT SINAI SCH OF MED	0254-6831-4609	728,670
93.856	360	NEW ENGLAND PRIMATE RE	15093-1009	49,972
93.856	360	SEATTLE BIOMEDICAL RSC	UW-1065, MOD 1	-9,891
93.856	360	SEATTLE BIOMEDICAL RSC	UW-1320, MOD02	2,283
93.856	360	SEATTLE BIOMEDICAL RSC	UW1503-01 MOD. #5	364,316
93.856	360	SEATTLE BIOMEDICAL RSCH INST	UW Bud# 669621	2,380
93.856	360	SOCIAL & SCIENTIFIC SY	203VC0001	233,265
93.856	360	SOCIAL & SCIENTIFIC SY	203VC010	-100,690
93.856	360	SOCIAL & SCIENTIFIC SY	204VC001 AM01	157,095
93.856	360	THE UNIVERISTY OF TEXA	GMO-401124	112,023

**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Note F:**  
**Supplemental Information for Pass-Through Funds**

*For the Year Ended  
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<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
93.856	360	The University of Cali	1556 G FD985	4,466
93.856	360	U OF TEXAS SW MEDICAL	GMO-401124	40,638
93.856	360	UNIV OF CA SAN FRANCIS	3573SC, AMEND#3	184,996
93.856	360	UNIV OF CA SAN FRANCISCO	3573SC	143,383
93.856	360	UNIV OF DUKE	DS 589, AM05	113,481
93.856	360	UNIV OF DUKE	U01 AI46725	26,785
93.856	360	UNIVERSITY OF MIAMI	PO #M746822	42,992
93.856	360	UNIVERSITY OF OREGON S	P0129A-01, AM04	126,891
93.856	360	WA UNIV	#WU-04-40	109,579
93.856	360	WA UNIV	WU-03-45/PO#29780FAM02	49
93.856	360	WASHINGTON UNIVERSITY	PO #29949C WU-04-29	4,220
93.856	360	WASHINGTON UNIVERSITY	WU-05-03 PO#29664Q	2,094
93.856	365	TEXAS A & M RESEARCH FOUND-FED F	S050053	46,604
93.856	365	UNIV OF FLORIDA - FED FLOW	UFO3039	38,589
93.856	365	WASHINGTON UNIV - FED FLOW THRU	WU036	24,187
93.859	360	COLORADO UNIV	FY04,001.006	74,333
93.859	360	COLORADO UNIV	FY05,001.014 AM01 YR03	16,026
93.859	360	FHCRC	04-105432-02-S0817	17,897
93.859	360	FHCRC	05-105432-03-S1055	108,948
93.859	360	MASSACHUSETTS GENERAL	U54 GM 62119 MOD04	382,107
93.859	360	MASSACHUSETTS GENERAL	U54 GM62119 MOD2	79,027
93.859	360	MASSACHUSETTS GENERAL	U54-GM62119 MOD02	-6,156
93.859	360	MASSACHUSETTS GENERAL	UW Bud# 668828	-2,241
93.859	360	NORTH CAROLINA ST UNIV	1990-0815-05	49,977
93.859	360	REGULOME CORPORATION	R-2004-001	116,055
93.859	360	THE RESEARCH FOUNDATIO	1038499-3-31912	162,254
93.859	360	UC SANTA CRUZ	S0175928	17
93.859	360	UNIVERSITY OF WISCONSI	UW Bud# 668970	36,094

**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Note F:**  
**Supplemental Information for Pass-Through Funds**

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<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
93.859	360	VANDERBILT UNIV	15360-S2 AM04	44,744
93.859	365	INSTITUTE FOR SYSTEMS BIOLOGY FF	20030013	129,934
93.859	365	MASSACHUSETTS GENERAL HOSPITAL	WSU000010	361
93.859	380	Research Foundation of SUNY	1019383/1/22583	31,906
93.865	300	UNC Neglect & Adolescents	5 r01 hd39689-04	36,854
93.865	360	CEDARS-SINAI MED CTR	CSMC PO# 316512	48,715
93.865	360	CEDARS-SINAI MED CTR	CSMC511681700POJB8031	-309
93.865	360	CEDARS-SINAI MED CTR	HD22657	80,872
93.865	360	CHILDRENS HOSP SEATTLE	HR.7659.107400.UW	-16,706
93.865	360	CHILDRENS HOSP SEATTLE	HR.7659.107401UW	-237
93.865	360	CHILDRENS HOSP SEATTLE	HR.7659.107402UW	16,943
93.865	360	CHILDRENS HOSPITAL LOS	PO#22350 AM01	19,693
93.865	360	EMORY UNIV	NIH-HIRSCH-0002	23,047
93.865	360	FHCRC	0520052502S1190PO58789	4,091
93.865	360	GROUP HEALTH COOPERATI	40045	16,194
93.865	360	GROUP HEALTH COOPERATI	40143	1,619
93.865	360	SEATTLE BIOMEDICAL RSC	UW-1061	19,029
93.865	360	SWEDISH MEDICAL CENTER	PN-WILM-FNIH9621.06 M4	24,002
93.865	360	SWEDISH MEDICAL CENTER	PNWILM-FNIH9621.06MOD3	43,505
93.865	360	UNIV OF ALABAMA BIRMIN	R01 HD 40777 01A2	-359
93.865	360	UNIV OF CONNECTICUT	P.S 3748	162,410
93.865	360	UNIV OF KANSAS	FY2001-079, MOD05	19,686
93.865	360	UNIV OF SOUTHERN CA	PO # 084657 AM01	34,007
93.865	360	YALE UNIV	5 K12 HD 00850-17 AM01	355
93.865	360	YALE UNIV	A04738	115,371
93.865	365	ADVANCED DIGITAL IMAGING RES LLC	WSU000164	31,693
93.865	365	BAYLOR COLLEGE OF MEDICINE - FED	4600415659	193,676
93.866	360	CALIFORNIA PACIFIC MED	2803204-S021	68,206

**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Note F:**  
**Supplemental Information for Pass-Through Funds**

*For the Year Ended  
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<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
93.866	360	COLORADO UNIV	FY04.001.001	1,385
93.866	360	DUKE UNIV	SPS# 119483/ DS794 AM2	33,595
93.866	360	DUKE UNIV	SPS#132271, DS794 AM03	7,779
93.866	360	DUKE UNIVERSITY	04-SC-NIH-1059	193,888
93.866	360	GROUP HEALTH COOPERATI	50051UW	474,083
93.866	360	GRP HLTH COOP	U01 AG06781	33,155
93.866	360	MAYO CLINIC ROCHESTER	R01 AG 23195-02	30,758
93.866	360	MAYO CLINIC ROCHESTER	R01AG23995 SUB3	37,395
93.866	360	NEW ENGLAND RESEARCH I	UW Bud# 668391	17,564
93.866	360	PENN ST UNIV	DHHS-TPSU-UW08055-1264	18,023
93.866	360	TRANSLATIONAL GENOMICS	STEPHAN 03 05, MOD02	30,351
93.866	360	TRANSLATIONAL GENOMICS	STEPHAN-03-5	37,319
93.866	360	UCLA	1595-G-BE093	78,815
93.866	360	UNIV OF CA SAN DIEGO	08-00-01	1,054
93.866	360	UNIV OF CA SAN DIEGO	PO 102229917 NEW3078	35,380
93.866	360	UNIV OF CA SAN DIEGO	PO 10229917 NEU3079	7,956
93.866	360	UNIV OF CALIFORNIA, SA	PO 10229917-001	46,831
93.866	360	UNIV OF KENTUCKY	472291-04427	107,408
93.866	360	UNIV OF MICHIGAN	000000	-59,809
93.866	360	UNIV OF MICHIGAN	F004689, AM02	-19,744
93.866	360	UNIV OF MICHIGAN	F009587 AM01	82,994
93.866	360	UNIV OF PENNSYLVANIA	535436MOD#03PO#1157755	-15,018
93.866	360	UNIV OF PENNSYLVANIA	PO# 535436 MOD#02	-68
93.866	360	UNIV OF PITTSBURGH	109452-1	85,439
93.866	360	UNIVERSITY OF CALIFORN	PO 10229917-002	30,679
93.866	360	UNIVERSITY OF COLORADO	FY05.001.005AMD1UWYR08	164,613
93.866	360	UNIVERSITY OF COLORADO HEALTH SCIENCES	FY05.001.005 AMD1UWYR8	460
93.866	360	University of Michigan	F009684 AM01	319,291

**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Note F:**  
**Supplemental Information for Pass-Through Funds**

*For the Year Ended  
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<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
93.866	360	UNIVERSITY OF MICHIGAN	F010747 AM01	12,738
93.866	360	University of Michigan	F09684 AM02	52,242
93.866	360	UNIVERSITY OF MICHIGAN	PO #30000416065	51,527
93.866	360	UNIVERSITY OF PENNSYLV	5-35436, MO04	254,262
93.866	360	UNIVERSITY OF PENNSYLV	5-44030	22,491
93.866	365	UNIV OF KANSAS - FED FLOWTHR	FY2002087M2	-416
93.866	365	UNIV OF KANSAS - FED FLOWTHR	FY2002087M3	174,748
93.867	360	EMORY UNIV	5 RO1 EY006069-19	14,025
93.867	360	EMORY UNIV	5 RO1 EY006069-20	6,924
93.867	360	JEAB CENTER FOR HLTH RSCH	9-29-03 ADDEND 4-15-03	1,293
93.867	360	THE JOHNS HOPKINS MED	PO 8310-94436-X	-156
93.867	360	UNIVERSITY OF FLORIDA	UF03077	3,339
93.867	365	OR HEALTH SCIENCES UNIV - FED FL	J709	37,106
93.884	360	UNIVERSITY OF HAWAII	Z694006	12,130
93.884	360	UNIVERSITY OF HAWAII	Z705343	21,676
93.894	360	UNIV OF CA BERKELEY	SA337032055PGAM01PO531	-14
93.894	365	OREGON STATE UNIVERSITY - FED	P0102AB	-250
93.894	365	OREGON STATE UNIVERSITY - FED	P0195DA	7,500
93.894	365	OREGON STATE UNIVERSITY - FED	P019SDA	7,500
93.914	360	SEATTLE-KING CO DEPT O	D30917D	-6,697
93.933	360	ALASKA NATIVE TRIBAL H	ANTHC-02-U-4060, MOD03	17,795
93.939	360	SPOKANE AIDS NETWORK	HAPD0001	151
93.943	360	UNIV OF CA SAN FRANCIS	3149SC AM01	3,336
93.945	360	SEATTLE KING COUNTY DE	D34308D	12,293
93.959	360	SEATTLE-KING CO DEPT O	D35082D	1,653
94.005	360	JUMPSTART FOR YOUNG CHILDREN	ENTER BB PROJ #990101	-24,865
94.006	360	JUMPSTART FOR YOUNG CHILDREN	ENTER BB PROJ #480100	23,438
97.000	360	CITY OF SEATTLE	UW Bud# 668914	20,000

**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Note F:**  
**Supplemental Information for Pass-Through Funds**

*For the Year Ended  
June 30, 2004  
(Expressed in whole dollars)*

<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
97.000	360	CITY OF SEATTLE	UW Bud# 668915	48,015
97.000	360	CITY OF SEATTLE	UW Bud# 668916	13,134
97.000	360	CITY OF SEATTLE	UW Bud# 668917	49,215
97.000	360	CITY OF SEATTLE	UW Bud# 668918	1,367
97.000	360	CITY OF SEATTLE	UW Bud# 668919	3,750
97.000	360	CITY OF SEATTLE	UW Bud# 668920	60,472
97.000	360	CITY OF SEATTLE	UW Bud# 668969	20,000
97.000	360	ENERTECHNIX	NBCHC050041	11,844
97.000	360	UNIVERSITY OF MICHIGAN	NBCHC040146 AM 01	22,510
97.054	360	KING COUNTY OFFICE OF	UW Bud# 670649	2,733
98.001	699	USAID Namibia	98-005900	89,868
99.000	360	ALASKA STAFF DEVELOPME	UW Bud# 670896	112,497
99.000	360	ASSOCIATION LIAISON OF	UW Bud# 666312	61,573
99.000	360	AURA, INC/NOAO	P.O. P15360A	23,285
99.000	360	CAMBRIDGE SYSTEMATICS,	7091.370	29,832
99.000	360	JUMPSTART FOR YOUNG CHILDREN	UW Bud# 669399	16,111
99.000	360	OAK RIDGE ASSOC UNIV	UW Bud# 800527	4,157
99.000	360	PLANETARY SCIENCE INST	NRO-508	59,016
99.000	360	PUGET SOUND REGIONAL C	2003-05, AM02	172,766
99.000	360	PUGET SOUND REGIONAL COUNCIL	2003 05, AM02	78,298
99.000	360	SCIENCE APPLICATIONS I	4400069070	4,821
99.000	360	UNIVERSITY OF CALIFORN	3936SC	28,418
99.000	360	University of Pittsbur	400054-1	30,836
99.000	461	National Fish & Wildlife/BPA	C004044	84,080
99.000	461	National Fish & Wildlife/BPA	C005025	113,368
99.999	105	National Governor's Association	None	8,638
99.999	370	Grant County Public Works 536728	None	1,244
99.999	370	Research Triangle Group 531710	None	11,505

**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Note F:**  
**Supplemental Information for Pass-Through Funds**

*For the Year Ended*  
*June 30, 2004*  
*(Expressed in whole dollars)*

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
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<b>Total Pass-Through Funds</b>	<u><u>107,160,974</u></u>
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**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Note G: Supplemental Information - Annual Loan Activity**  
**and Outstanding Loan Balances**

*For the Year Ended*  
*June 30, 2005*  
*(Expressed in whole dollars)*

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Fiscal Year Activity</b>	<b>June 30, 2005 Outstanding Loan Balances</b>
<b><u>University of Washington (Agency 360)</u></b>			
84.038	Federal Perkins Loan Program	15,032,100	49,168,385 <b>s</b>
84.268	Federal Direct Student Loans	141,611,698 <b>s</b>	
93.342	Health Profesnl Student Loans (HPSL / PCL / LDS)	1,414,389	7,737,187 <b>s</b>
93.364	Nursing Student Loans	395,478	1,427,142 <b>s</b>
<b>University of Washington Total</b>		<b>158,453,665</b>	<b>58,332,714</b>
<b><u>Washington State University (Agency 365)</u></b>			
84.032	Federal Family Education Loans	104,794,652 <b>s</b>	
84.038	Federal Perkins Loan Program	4,474,490	18,550,005 <b>s</b>
93.342	Health Profesnl Student Loans (HPSL / PCL / LDS)	625,104	2,127,533 <b>s</b>
93.364	Nursing Student Loans	244,560	1,102,472 <b>s</b>
<b>Washington State University Total</b>		<b>110,138,806</b>	<b>21,780,010</b>
<b><u>Eastern Washington University (Agency 370)</u></b>			
84.032	Federal Family Education Loans	45,618,920 <b>s</b>	
84.038	Federal Perkins Loan Program	1,283,517	5,740,470 <b>s</b>
<b>Eastern Washington University Total</b>		<b>46,902,437</b>	<b>5,740,470</b>
<b><u>Central Washington University (Agency 375)</u></b>			
84.038	Federal Perkins Loan Program	1,510,691	7,165,965 <b>s</b>
84.268	Federal Direct Student Loans	40,818,621 <b>s</b>	
<b>Central Washington University Total</b>		<b>42,329,312</b>	<b>7,165,965</b>
<b><u>The Evergreen State College (Agency 376)</u></b>			
84.032	Federal Family Education Loans	16,919,608 <b>s</b>	
84.038	Federal Perkins Loan Program	907,159	3,860,655 <b>s</b>
<b>The Evergreen State College Total</b>		<b>17,826,767</b>	<b>3,860,655</b>

**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Note G: Supplemental Information - Annual Loan Activity**  
**and Outstanding Loan Balances**

*For the Year Ended*  
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*(Expressed in whole dollars)*

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Fiscal Year Activity</b>	<b>June 30, 2005 Outstanding Loan Balances</b>
<b><u>Western Washington University (Agency 380)</u></b>			
84.032	Federal Family Education Loans	14,628,545 s	
84.038	Federal Perkins Loan Program	1,589,807	7,947,237 s
84.268	Federal Direct Student Loans	34,042,734 s	
<b>Western Washington University Total</b>		<b>50,261,086</b>	<b>7,947,237</b>
<b><u>Community College Systems (Agency 699)</u></b>			
84.032	Federal Family Education Loans	68,075,689 s	
84.038	Federal Perkins Loan Program	416,286	3,838,990 s
84.268	Federal Direct Student Loans	24,927,612 s	
93.364	Nursing Student Loans		5,459 s
<b>Community College Systems Total</b>		<b>93,419,587</b>	<b>3,844,449</b>
<b>Total Loan Activity / Balances</b>		<b>519,331,660</b>	<b>108,671,500</b>

**Footnote:**  
s - Amount included on schedule of expenditures of federal awards



**State of Washington  
Corrective Action Plan**

*OMB Circular A-133 Audit  
For the Fiscal Year Ended  
June 30, 2005*

(This plan only addresses findings reportable under the revised OMB Circular A-133.)

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**State of Washington  
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***OMB Circular A-133 Audit  
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(This plan only addresses findings reportable under the revised OMB Circular A-133.)

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**State of Washington  
Corrective Action Plan**

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For the Fiscal Year Ended  
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05-57	Military Department	H – 77	F – 241
05-58	Department of Ecology	H – 78	F – 245
05-59	Department of Social and Health Services, Community, Trade and Economic Development, Military Department, Health, and Veterans’ Affairs	H – 79	F – 247

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
05	01	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), does not have procedures to identify treatments and services that may not be allowable for reimbursement under the State Medicaid Plan.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$47,970</td> </tr> </table> <p>Corrective action in progress.</p> <p>By policy, the Department intends to pay only for medically necessary services. The Department is not aware of any exception or specific unallowable claims for which corrective action is necessary. Research activities have begun (noted below) and upon receipt of medical documentation and/or detailed working papers from the auditor, the Department will investigate and initiate appropriate corrective action.</p> <ul style="list-style-type: none"> <li>• The Health and Recovery Services Administration (HRSA) will research and verify the medical necessity of the clients who were identified as “exceptions” for having received breast reduction and breast enlargement surgery. Medical records are being requested and will be reviewed by July 2006.</li> <li>• Breast enlargement and reduction surgery is paid according to Expedited Prior Authorization criteria included on a claim. HRSA will hire a Registered Nurse to perform the responsibilities of managing our Expedited Prior Authorization program by May 31, 2006.</li> <li>• The Department implemented a new medical necessity Washington Administrative Code (WAC) 388-501-0165 in December 2005. All cases with a diagnosis of trans-sexualism will be reviewed according to the amended medical necessity WAC. The Department will continue to participate in Fair Hearings and submit decisions to the Board of Appeals as appropriate and necessary to sustain coverage decisions.</li> </ul>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$47,970
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$47,970						

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<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
05	01 (Cont'd)	Corrective Action	<ul style="list-style-type: none"> <li>• HRSA will be adding trans-gender surgery as a non-covered service in our new Certificate of Coverage WAC by December 2006, because evidence-based criteria deems hormone therapy and psychotherapy as effective, lower risk and lower cost treatment for the condition of gender dysphoria. This project is designed to clarify which service categories are covered, covered with limitations and non-covered.</li> <li>• Clients may enter into Medicaid with chronic diseases and/or medical equipment (including penile implants) paid for by the client or another health plan. HRSA will authorize payment for devices or previous procedures that fail or require repair when medically necessary. HRSA will continue to review requests and authorize payment for those procedures that are considered medically necessary.</li> <li>• Because office visits are not prior authorized and not reviewed by diagnosis HRSA will continue to assume that office visits carrying the diagnosis of trans-sexual are medically necessary and backed up with documentation by the provider as required by law and regulation.</li> <li>• HRSA will continue to make decisions based on medical necessity and will pay for hormone replacement and psychotherapy as equally effective, less risky and less costly alternatives for both pre and post surgery candidates as determined appropriate.</li> </ul> <p>Completion Date: Estimated, July 2006</p>

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	02	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Aging and Disability Services Administration, does not have adequate controls to ensure that all alleged violations and complaints of abuse and neglect are investigated in accordance with federal law.</p> <table border="0" data-bbox="711 766 1015 829"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>No action taken.</p> <p>The Department disagrees with this finding. The Department requires facilities to follow the Code of Federal Regulations, 42 CFR 483 Subpart I in order to protect individuals from abuse, neglect, and mistreatment. Residential Care Services, a division in the Aging and Disability Services Administration, conducts complaint investigations according to procedures established in the federal State Operations Manual by the Centers for Medicare and Medicaid Services.</p> <p>All identified examples have been reviewed and were triaged and investigated according to the established procedures.</p> <p>N/A</p>		<u>CFDA #</u>	<u>Amount</u>		93.778	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	93.778	\$0							

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Fiscal Year	Finding Number	Finding and Corrective Action Plan					
05	03	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Aging and Disability Services Administration, does not perform certification surveys of Intermediate Care Facilities for the developmentally disabled according to federal law.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action complete.</p> <p>As authorized by 42 USC § 1302, the Secretary of the Department of Health and Human Services (HHS) has adopted regulations consistent with the requirements of the Social Security Act. Under these rules: Providers of Intermediate Care Facilities for the Mentally Retarded must meet all of the certification requirements of 42 CFR 483 Subpart I; and state agencies must conduct certification surveys in accordance with 42 CFR 488.26(c), including subsection (5) (d), which states, “the state survey agency must use the survey methods, procedures and forms that are prescribed by CMS.”</p> <p>During an initial certification survey, the Department reviews all of the eight Medicaid conditions of participation, including the associated 489 standards. For a recertification survey, CMS has adopted specific procedures, which require state agencies to review four conditions of participation and the associated 57 standards. The procedures also give the Department the authority to expand the scope of the survey at any time, based upon survey findings or upon information from other sources.</p> <p>The Department follows the survey process identified in the CMS State Operations Manual, Appendix J. This is where the directions for survey of Intermediate Care Facilities for the Mentally Retarded are found.</p> <p>The Secretary will seek additional clarification from HHS as to whether the Office of Inspector General or CMS directives apply.</p> <p>March 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$0						

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<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	04	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Aging and Disability Services Administration does not have a process to impose sanctions, recover funds, schedule or hold hearings for Intermediate Care Facilities for the Developmentally Disabled that are not in substantial compliance with federal health and safety standards.</p> <table border="0" data-bbox="711 793 1015 856"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Department has been using the Code of Federal Regulations regarding scheduling and holding hearings.</p> <p>By June 2006, the Department will establish:</p> <ul style="list-style-type: none"> <li>• Procedures to schedule and hold appeals hearings.</li> <li>• Process for instituting denial of payment sanctions.</li> <li>• Procedures to recoup funds paid to a facility in denial of payment status.</li> </ul> <p>Estimated, June 2006</p>		<u>CFDA #</u>	<u>Amount</u>		93.778	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	93.778	\$0							

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**Department of Health (DOH)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	05	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Health is not conducting hospital surveys according to the frequency stipulated by state law and the Medicaid State Plan.</p> <table border="0" data-bbox="609 703 909 766"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action complete.</p> <p>The scope of the current State Auditor’s Office audit covered the survey cycle for fiscal years 2004 and 2005. During this time, state law RCW 70.41 required DOH to conduct inspection surveys of all hospitals at least yearly. Furthermore, the law allowed for a hospital surveyed by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) within the previous 12 months to be exempt from annual state survey if the Department received the results of the JCAHO survey.</p> <p>At the time of the audit review, DOH acknowledged that it was not accomplishing the annual surveys due to lack of adequate staff and that a change to the law was being proposed to address this. The 2005 Legislature changed the law to require DOH to conduct inspection surveys of hospitals on average at least every 18 months. In addition, the Legislature modified the requirement for the JCAHO survey to allow those surveys to be deemed as meeting the 18-month survey requirement. These law changes became effective July 24, 2005 and as of December 31, 2005 all hospitals are now being surveyed according to the 18-month average.</p> <p>December 31, 2005</p>		<u>CFDA #</u>	<u>Amount</u>		93.778	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	93.778	\$0							

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**Department of Health (DOH) & Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
05	06	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Health and the Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), are not ensuring compliance with federal law regarding hospital surveys.</p> <p><b><u>Department of Health</u></b></p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$0</td> </tr> </table> <p>Corrective action complete.</p> <p>The Department of Health and the Department of Social and Health Services, have a signed agreement effective December 2, 2005 that complies with the Medicaid State Plan and Federal requirements.</p> <p>The agreement reflects those items that are required by the Centers for Medicare &amp; Medicaid Services.</p> <p>In the absence of further guidance from the Centers for Medicare and Medicaid Services (CMS), the Department will maintain current procedures. The Department believes these procedures comply with the federal rules.</p> <p>The Department of Health (DOH) revised the method of recording deficient findings and the lack of deficient findings during Medicare surveys in December 2005. All reports now indicate that all Federal Medicare hospital certification regulations (Conditions of Participation) are reviewed for compliance during the on-site. All deficient findings are documented according to CMS Principles of Documentation. Such recording is acceptable to CMS.</p> <p>The Department’s review of the information made available by DOH indicates that source documents and other information obtained during surveys is retained in accordance with federal requirements and the agreement between the Department and DOH was signed December 2, 2005.</p> <p>December 2, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$0						

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**Department of Health (DOH) & Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
05	07	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Health and the Department of Social and Health Services, Health and Recovery Services Administration, agreement covering hospitals' survey activities does not comply with federal requirements.</p> <p><b><u>Department of Health</u></b></p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$0</td> </tr> </table> <p>Corrective action complete.</p> <p>The Department of Social and Health Services and Department of Health (DOH) have a finalized and signed agreement dated December 2, 2005, that complies with the Medicaid State Plan and Federal requirements.</p> <p>The agreement reflects those items that are required by The Centers for Medicare &amp; Medicaid Services. The information that is shared by DOH is compliant with those requirements.</p> <p>December 2, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$0						

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	08	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), received federal Medicaid funds for unallowable services provided to undocumented aliens.</p> <table border="0" data-bbox="711 766 1055 829"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$41,599,967</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Department will wait for the finalization of the current Alien Emergency Medical (AEM) audit by the federal Office of Inspector General and make appropriate corrections so as to avoid any conflicts on the interpretation of the AEM policy. This is estimated to be completed by December 2006.</p> <p>As a result of the FY05 audit, the following corrective steps are currently in progress to improve internal controls of Social Security number (SSN) verification:</p> <ul style="list-style-type: none"> <li>• A review of the automated SSN verification at the time of the Automated Client Eligibility system (ACES) entry was completed on February 4, 2005. In addition, the Department has enhanced procedures, including modification of the interface with the federal database to update nightly, with income and Medicare eligibility updated daily.</li> <li>• The most significant solution for ensuring correct social security numbers is the modification to the State On-line Query (SOLQ). This change was made in ACES April 16, 2006. The SOLQ user interface was modified to accommodate users' ability to multiple queries without exiting the system. With the upgrade staffs were trained to verify the SSN upfront to maximize efficiency and accuracy.</li> <li>• Staff is currently required to act on SSN discrepancy Alerts sent by the Social Security Administration. The Department will continue to provide instruction and written guidance to staff regarding the manner in which alerts are handled.</li> </ul>		<u>CFDA #</u>	<u>Amount</u>		93.778	\$41,599,967
	<u>CFDA #</u>	<u>Amount</u>							
	93.778	\$41,599,967							

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<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
05	08 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• The Department has initiated a cross-administration SSN Quality Improvement Workgroup and will continue to focus attention on increasing the accuracy of SSNs in ACES and the Medicaid Management Information System.</li> </ul> <p>With regards to the auditor's recommendation of funding a state program that would pay for the additional care that the state wishes to provide, it is not within the Department's authority to create and fund a program using General Fund-State dollars.</p> <p>Completion Date: Estimated, December 2006</p>

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	09	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Medical Assistance Administration, is not complying with federal requirements to defer Medicaid expenditures related to undocumented aliens.</p> <table border="0" data-bbox="711 766 1015 829"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>The account coding has been established in Washington's Agency Financial Reporting System (AFRS), which allowed the alien emergency medical (AEM) reporting on the CMS64 effective quarter ending June 30, 2004.</p> <p>Effective October 1, 2004, the Department has not drawn federal matching funds for AEM expenditures, except for labor and delivery. The cost for labor and delivery was specifically exempted upon confirmation with the Centers for Medicare and Medicaid Services via an email dated November 17, 2005.</p> <p>The Department will wait for the finalization of the current Alien Emergency Medical (AEM) audit by the federal Office of Inspector General to draw from the Medicaid award. This is estimated to be complete by December 2006.</p> <p>Estimated, December 2006</p>		<u>CFDA #</u>	<u>Amount</u>		93.778	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	93.778	\$0							

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
05	10	Finding:	The Department of Social and Health Services, Health and Recovery Services Administration, has not established sufficient internal controls to support its decisions on eligibility of clients enrolled in Medicaid's Basic Health Plus Program.				
		Questioned Costs:	<table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$14,603,182</td> </tr> </table>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$14,603,182
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$14,603,182						
		Status:	Corrective action not applicable.				
		Corrective Action:	<p>The Department disagrees with this finding.</p> <p>The Department uses system interfaces to determine employment of all adults in the household using their Social Security Numbers (SSN). Because these are Basic Health (BH) Plus households and the adults are BH members, the Department receives all adult SSN, which are added to the Automated Client Eligibility System (ACES). Once in ACES the SSN is cross-matched with the interfaces. "Alerts" are generated if there are unreported earnings or income discrepancies for all adults (spouse included). These interfaces are considered independent sources. We do not accept client declaration of income as stated by the auditor. Staff follows established Department policies for corroborating client income as outlined in the EA-Z Manual. The Department follows the income methodology set forth in Washington Administrative Code, the EA-Z Manual, and federal regulations.</p> <p>The auditor has not shared with the Department the eligibility time frames they reviewed, or the methods it employed to calculate household income. It is our belief the income amounts asserted are incorrect and overstated. We conclude the auditor took an entire year or more information from the Employment Security Department, which overlapped claims paid, but we only look at prospective income at time of application or review.</p>				
		Completion Date:	N/A				

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
05	11	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Health and Recovery Services Administration, does not have procedures to determine whether expenditures for anabolic steroids are allowable under the Medicaid program.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$134,805</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Department has hard stops and clinical review of all Point-of-Sale (POS) expenditures for anabolic steroids. Procedures to assure that anabolic steroid expenditures are allowable have been in place and operating effectively since the products came on the market. When the Department receives the auditors' working papers, we will closely examine each claim number or other specific identifier to determine if we have a weakness in our system that needs to be corrected or if we have a provider that needs to be investigated.</p> <p>The Department has implemented its plan for managing the utilization of these medications and assuring that prescriptions written for medications classified as "anabolic steroids" are medically necessary through prior authorization. Procedures to direct all requests for these prescriptions to the Drug Utilization Review Team (DURT) for review and determination are implemented. Standards for required clinical information from the prescriber are in place, as well as criteria for making medical necessity determinations. In CY2005, DURT reviewed 171 requests of which 12 (7 percent) were denied for lack of medical necessity.</p> <p>The Department is assessing the strength and consistency of its edits and prior authorization program. A review of data from our contracted POS vendor was completed on May 10, 2006 to test the effectiveness of edits and to determine if any of these medications has "slipped" through without prior authorization. Some problems were found on pharmacy claims and changes to procedures will be made by June 1, 2006.</p> <p>The Department's automated POS pays consistently off an algorithm. The auditors' finding does not reflect the complexity of the pharmacy products and consequently we think the seeming variances in reimbursement are actually due to differing drug codes, product strengths, and forms. The Department will closely examine each claim and payment at issue.</p> <p>Estimated, June 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$134,805
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$134,805						

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
05	12	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services is not adequately reviewing pharmaceutical claims to identify patterns of fraud and abuse.</p> <table border="1" data-bbox="609 703 933 766"> <thead> <tr> <th>CFDA #</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>93.778</td> <td>\$1,258,343</td> </tr> </tbody> </table> <p>Corrective action in progress.</p> <p>The Pharmacy Point of Sale (POS) vendor has loaded Drug Enforcement Authority (DEA) numbers from the national DEA database and the Department has completed a change request to the MMIS system that will utilize this data to validate against the full DEA national database at the time of adjudication. This validation will eliminate the need to rely on a manual process for blocking invalid DEA numbers.</p> <p>New Health Insurance Portability and Accountability Act rules will require the use of a National Provider Identifier (NPI) for medical providers. Upon implementation, this number will be used to identify prescribing providers in the POS and the DEA number will be used solely for validation that a provider is registered to prescribe controlled substances.</p> <p>The Department is in the process of development and implementation of a new Medicaid Management Information System (MMIS) and Pharmacy POS. The new MMIS/POS, targeted for implementation in July 2007, is designed to support the NPI as described above.</p> <p>The Department has a rigorous and extensive Drug Use Review Program and is in full compliance with Sec. 456.709. No corrective action is necessary regarding this recommendation.</p> <p>Post payment review of invalid DEA numbers has been added to the regular Department Payment Review Program (PRP) algorithm process. The PRP ran an algorithm that uses the federal DEA database to identify invalid DEA numbers and issued overpayment notices totaling \$769,000 to 219 pharmacies statewide in January 2006.</p> <p>The Department will continue post-payment review of DEA numbers to identify inaccurate numbers and validate DEA numbers are used appropriately. This will continue until implementation of the MMIS change for validation of DEA at the time of adjudication.</p> <p>Estimated, July 2007</p>	CFDA #	Amount	93.778	\$1,258,343
CFDA #	Amount						
93.778	\$1,258,343						

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
05	13	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Health and Recovery Services Administration, is not in compliance with the federal Medicaid requirements for reporting adult victims of residential abuse to the Medicaid Fraud Control Unit.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Division of Alcohol and Substance Abuse (DASA), Mental Health Division (MHD) Headquarters and Eastern and Western State Hospitals now include procedures and policies to report allegations of abuse and neglect to the Medicaid Fraud Control Unit (MFCU) in accordance with federal law. Mental Health's policy went into effect March 2005 and DASA's policy went into effect June 30, 2005.</p> <p>The MHD Compliance Officer currently reviews 100 percent of incident and daily reports submitted to the Division from the hospitals.</p> <p>The DASA Certification Supervisor currently reviews 100 percent of incident reports of fraud or abuse. The DASA Internal Auditor is monitoring and reviewing incident reports on a monthly basis and ensuring the Division is in compliance with all polices related to reporting requirements of Medicaid Fraud and Abuse of Medicaid Patients.</p> <p>The Department will examine the adequacy of policies and procedures related to follow up on contacts made to the Department by the Fraud Control Unit related to potential abuse by September 2006.</p> <p>Estimated, September 30, 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$0						

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
05	14	Finding:	The Department of Social and Health Services, Health and Recovery Services Administration, does not perform adequate reviews of providers of durable medical equipment to ensure the providers exist, are properly licensed and have submitted accurate information.				
		Questioned					
		Costs:	<table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$0</td> </tr> </table>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$0						
		Status:	Corrective action in progress.				
		Corrective Action:	<p>In February 2006, Provider Enrollment put new policies in place (the reverse directory) to verify a provider's address.</p> <p>Regarding licensure: The current policy regarding businesses with more than one license is: "When there is a business that has more than one business license (example; one state, one city, one county) the priority will be State, City, and then County. If one of the first two are obtained the others are not necessary." The current Medicaid Management Information System (MMIS) only allows a field for one license. Consequently both business and professional licenses cannot be stored. The new Provider One system will allow both.</p> <p>Provider Enrollment is reviewing all providers to assure requirements are met.</p> <p>In January 2006 Provider Enrollment sent out the "24 Month" letters asking providers who have not done any business with the Department for 24 months to respond by Feb 15, 2006, if they wanted to remain on the Department's active list. 820 were terminated as of Feb 18, 2006.</p> <p>The current MMIS system is being replaced with the new "ProviderOne" MMIS. The Administration is actively participating in design sessions for the new system. This includes requiring the system to identify expired business licenses. Implementation is targeted for June 2007.</p> <p>The Department has initiated a policy where the Provider Relations Field Unit and the audit office (OPRA) visit durable medical equipment (DME) providers ("drive-bys") to verify the address of the DME dealers in that area. This is currently being done and logged.</p>				

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
05	14 (Cont'd)	Corrective Action:	The Division of Fraud and Investigations' investigators also verify DME vendors when their investigators are in the field. As of March 9, 2006, 49 reviews have been conducted. This represents 18% of the total providers in the DME verification database.
		Completion Date:	Estimated, June 2007

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
05	15	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Health and Recovery Services Administration, has not established sufficient internal controls to prevent Medicaid payments for services provided after a client’s death or to prevent payments for services provided to individuals using the Social Security number of a deceased person.</p> <table border="0" data-bbox="607 831 935 890"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$1,873,192</td> </tr> </table> <p>Corrective action in progress.</p> <p>A review of the automated Social Security number (SSN) verification at the time of the Automated Client Eligibility System (ACES) entry was completed on February 4, 2005. In addition, the Department has enhanced procedures, including modification of the interface with the federal database to update nightly, with income and Medicare eligibility updated daily.</p> <p>The State Online Query (SOLQ) user interface was modified April 16, 2006, to accommodate user’s ability to do multiple queries without exiting the system. The Department will continue to provide instruction and written guidance to staff regarding the manner in which alerts are handled.</p> <p>The Department has initiated a cross-administration SSN Quality Improvement Workgroup and will continue to focus attention on increasing the accuracy of SSNs in ACES and the Medicaid Management Information System (MMIS).</p> <p>The Department is not aware of any known computer interface issues that require specific action at this time. The Department will continue to assess, prioritize, and resolve interface issues as they are identified.</p> <p>The Design Phase of the new MMIS is underway and includes a complete assessment of the ACES/MMIS interface. Implementation of the new ProviderOne interface with ACES will be thoroughly tested prior to implementation to assure that data is being transferred accurately. This is targeted for June 2007.</p>		<u>CFDA #</u>	<u>Amount</u>		93.778	\$1,873,192
	<u>CFDA #</u>	<u>Amount</u>							
	93.778	\$1,873,192							



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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
05	16	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Health and Recovery Services Administration, did not ensure that home health agencies providing services under the Medicaid program complied with federal surety bond requirements.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>No action taken.</p> <p>The Department recognizes the concerns of this finding. Because of that, the Department has asked for and received a memorandum from the Department's Assistant Attorney General (AAG) regarding the surety bond issue. The final conclusion of the AAG is: "CMS (the Centers for Medicare and Medicaid Services) suspended the surety bond requirement in July 1998 and has not reinstated this requirement; therefore, Home Health Agencies are not required to show compliance with the surety bond requirement at this time."</p> <p>The Secretary of DSHS will ask HHS to work with the OIG and CMS on this issue to provide clarification and direction to the state so both SAO and DSHS are clear about federal expectations/requirements.</p> <p>N/A</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$0						

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	17	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Health and Recovery Services Administration, does not have adequate reviews of home health agencies to ensure providers are licensed, Medicare certified, and have signed a Core Provider Agreement as required by law.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$208,587</td> </tr> </table> <p>Corrective action complete.</p> <p>The Provider Enrollment Unit has updated the Provider Enrollment manual in July 2005 to reflect all the required documents.</p> <p>Provider Enrollment started a project in November 2005 to bring all Home Health providers up to date and have all the needed documents. The project was completed in April 2006.</p> <p>April 2006</p>		<u>CFDA #</u>	<u>Amount</u>		93.778	\$208,587
	<u>CFDA #</u>	<u>Amount</u>							
	93.778	\$208,587							

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**Department of Health (DOH)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	18	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Health does not retain documentation that would provide evidence to ensure all home health agency providers performed criminal background checks and obtained disclosures on employees having unsupervised access to vulnerable adults, as the law requires.</p> <table border="0" data-bbox="607 835 906 898"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>No action taken.</p> <p>The Department does not concur with the finding and is in compliance with current state law. RCW 43.43.842 requires the Secretary of Health to adopt requirements for the licensure of home health agencies (HHAs) to include performance of criminal background checks on employees and others who have unsupervised access to vulnerable adults.</p> <p>This requirement is further developed in rule. WAC 246-335-045(2) (a) clearly states that DOH is responsible for determining <u>compliance</u> with the requirement for HHAs to perform criminal background checks. HHAs are to perform criminal background checks in accordance with WAC 246-335-030 (3), and WAC 246-335-065 (12).</p> <p>The goal of an HHA survey is to determine if the entity is in compliance with conditions of participation as set forth in 42 CFR Parts 482 and 484, and by inference all applicable state laws including the requirement that HHAs perform criminal back ground checks.</p> <p>If the Department’s surveyors determine that a subject HHA is in violation of the requirement to complete criminal background checks, it is noted as such on the final report: CMS form 2567. If violations involve specific employees, a confidential list is also included and maintained in the file until the issue is resolved.</p> <p>If no violations have been found by the surveyor, the report is signed, filed and retained by the Department of Health. The Department believes that this fulfills the intent of CFR 42 CFR 431.610(f) (3) <i>to retain all information and reports</i>, and is consistent with state law.</p>		<u>CFDA #</u>	<u>Amount</u>		93.778	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	93.778	\$0							

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**Department of Health (DOH)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
05	18 (Cont'd)	Corrective Action:          Completion Date:	In addition, the process and methodology for conduct of HHA surveys and reporting conforms to the Centers for Medicare and Medicaid Services (CMS) policies and procedures found in their State Operation Manual and Principles of Documentation Guide. The State Operation Manual and Principles of Documentation Guide is based on the requirements of 42 CFR 488, which is descriptive of the exception reporting process currently followed by DOH.          N/A

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
05	19	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Aging and Disability Services Administration, does not ensure providers of home health care services are Medicare-certified as required by the Medicaid State Plan.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$5,724,800</td> </tr> </table> <p>Corrective action in progress.</p> <p>On March 27, 2006, the Aging and Disability Services Administration (ADSA) submitted recommended State Plan Amendment language to the Health and Recovery Services Administration to clarify Medicare certification is not required when home health agencies provide services that do not require licensed registered nurses or licensed professional nurses. The clarified language is as follows:</p> <p>“State plan skilled nursing services, other than Private Duty, require a home health agency to be Medicare-certified. All other, non-skilled services do not require Medicare certification.”</p> <p>This amended language will correct the identified issues related to non-nursing services as well as Private Duty Nursing services provided by home health agencies under the State Plan.</p> <p>In addition, on April 13, 2006, the Department submitted a Community Options Program Entry System (COPES) waiver amendment to the Centers for Medicare and Medicaid Services clarifying provider qualifications for skilled nursing services and home health aide services include a licensed home health agency and no certification is required.</p> <p>Estimated, September 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$5,724,800
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$5,724,800						

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	20	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Health and Recovery Services Administration, is not complying with federal regulations that require people receiving Medicaid benefits to have valid Social Security numbers.</p> <table border="0" data-bbox="711 800 1055 863"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$10,475,283</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Department’s current Washington Administrative Code (WAC) and procedures require that each client applying for Medicaid benefits furnish their Social Security number (SSN). However, the Department cannot delay or deny a client Medicaid benefits pending the issuance or verification of a SSN from the Social Security Administration.</p> <ul style="list-style-type: none"> <li>• A review of the automated SSN verification at the time of Automated Client Eligibility System (ACES) entry was completed on February 4, 2005. In addition, the Department has enhanced procedures, including modification of the interface with the federal database to update nightly, with income and Medicare eligibility updated daily.</li> <li>• The State Online Query (SOLQ) user interface was modified to accommodate user’s ability to multiple queries without exiting the system on April 16, 2006.</li> <li>• The Department will continue to provide instruction and written guidance to staff regarding the manner in which “alerts” are handled.</li> <li>• The Department has initiated a cross-administration SSN Quality Improvement Workgroup and will continue to focus attention on increasing the accuracy of SSNs in ACES and the Medicaid Management Information System (MMIS).</li> <li>• The Health and Recovery Services Administration will run a monthly report of all clients who received two months of Medicaid benefits without furnishing a SSN beginning in June 2006. This will facilitate follow-up for clients who are approved for Medicaid while pending a SSN or verification of an SSN.</li> </ul>		<u>CFDA #</u>	<u>Amount</u>		93.778	\$10,475,283
	<u>CFDA #</u>	<u>Amount</u>							
	93.778	\$10,475,283							

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<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
05	20 (Cont'd)	Corrective Action:  Completion Date:	Eligibility for the Take Charge Program clients (about 90,000 statewide) is not currently done is ACES but in a web-based program outside of ACES. The Take Charge program is schedule to be moved to the ACES main frame in January 2007.  Estimated, January 2007

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<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	21	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Health and Recovery Services Administration, has not established internal controls sufficient to ensure payment rates to its Healthy Options managed care providers are based on accurate data.</p> <table border="0" data-bbox="711 800 1008 863"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>Although the Centers for Medicare and Medicaid Services (CMS) has not found fault with the rate-setting process, the State began in September 2005 to transfer the encounter data (now in Health Insurance Portability and Accountability Act like format) into the State decision support system. The transfer and loading of the encounter data is still working out system problems, which should be complete by August 2006.</p> <p>Central Office CMS has not interpreted the Balanced Budget Act (BBA) rules as saying that states must collect the cost reimbursement information. Region X, Central Office CMS, and the State have all participated in telephone conversations together discussing this issue. Currently it is a non-issue. If the requirements change, this would need to be addressed by the State.</p> <p>Estimated, August 2006</p>		<u>CFDA #</u>	<u>Amount</u>		93.778	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	93.778	\$0							

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Fiscal Year	Finding Number	Finding and Corrective Action Plan							
05	22	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Health and Recovery Services Administration, made supplemental Medicaid payments to public hospital districts totaling \$41,154,000 without a federally approved payment methodology.</p> <table border="0" data-bbox="607 800 906 856"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Department has submitted a State Plan Amendment to the Centers for Medicare and Medicaid Services (CMS), the federal Medicaid funding authority, to clarify the methodology for nursing home supplemental payments known as "Proshare". The amendment was submitted to CMS for review on July 25, 2005. CMS has asked for information on the amendment; information has been provided as recently as January 31, 2006.</p> <p>Estimated, June 2006</p>		<u>CFDA #</u>	<u>Amount</u>		93.778	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	93.778	\$0							

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05	23	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Health and Recovery Services Administration, does not ensure that providers of motorized wheelchairs have the documentation required to substantiate claims for payment.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$1,725,509</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Washington Administrative Code was updated on November 18, 2005, to ensure providers comply with documentation requirements for Medicare and Medicaid</p> <p>A Draft Standardized prescription and proof of medical necessity form is going through internal review and is expected to be implemented by providers by December 2006.</p> <p>The Department believes that prior authorizations for dual eligible clients would be an unnecessary burden on the Department, providers, and clients. This requirement would not be cost effective given the medical necessity requirements fall to Medicare and the State's return would only be a co-pay of a few dollars per claim. This potential savings does not offset the overhead costs necessary for a prior authorization activity. Medicare has improved their guidelines including a prior authorization process, which appears to be quite stringent.</p> <p>Estimated, December 2006</p>		<u>CFDA #</u>	<u>Amount</u>		93.778	\$1,725,509
	<u>CFDA #</u>	<u>Amount</u>							
	93.778	\$1,725,509							

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
05	24	Finding:	The Department of Social and Health Services, Office of Financial Recovery and Health and Recovery Services Administration, does not have adequate internal controls to ensure that final settlement amounts are refunded to the federal government, and in a timely manner.				
		Questioned Costs:	<table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$479,126</td> </tr> </table>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$479,126
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$479,126						
		Status:	Corrective action in progress.				
		Corrective Action:	<p>The Department's Division of Audit and Information Services (DAIS) will finalize new policies and procedures by June 30, 2006, that direct proper reporting of provider overpayments identified during audits conducted by the Office of Payment Review and Audit (OPRA). These policies prescribe guidance for determining the date of discovery for Hospital and Medical audits.</p> <p>The Office of Financial Recovery (OFR) is also establishing policy and procedures to ensure the Department refunds the federal share of overpayments within 60 days of the date of discovery (per DAIS policy) rather than within 60 days of being established as a receivable within the Collections and Accounts Receivable System.</p> <p>OFR and OPRA staff meet monthly to monitor the overpayment process for all overpayments submitted by OPRA to OFR.</p> <p>OFR and the Office of Accounting Services will review the specific accounts audited to determine how much federal portion has been refunded. Any un-refunded federal portion will be refunded by June 30, 2006.</p>				
		Completion Date:	Estimated, June 2006				

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<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	25	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services' Office of Accounting Services does not have adequate internal controls to ensure the federal portion of uncased and cancelled warrants is refunded at the appropriate rate to the federal Medicaid Program.</p> <table border="0" data-bbox="711 800 1015 863"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Office of Accounting Services (OAS) has implemented a process that ensures the correct federal/state allocation for Medicaid warrants is utilized, thus ensuring the warrant is cancelled at the correct federal percentage. The implementation of the process occurred in February 2006.</p> <p>OAS will review the items identified by the auditor as exceptions and determine if correcting adjustments are required by August 31, 2006.</p> <p>Estimated, August 2006</p>		<u>CFDA #</u>	<u>Amount</u>		93.778	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	93.778	\$0							

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
05	26	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services' Office of Accounting Services does not have sufficient controls to ensure that the federal portion of uncashed warrants is refunded to the Medicaid Program in a timely manner.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action complete.</p> <p>The Office of Accounting Services (OAS) has appropriate staff to address the warrant cancellation and refunding function and has cross-trained a sufficient number of individuals to ensure adequate coverage for processing the Statute of Limitation (SOL) warrants by April 2005.</p> <p>The refunding process has been current for the last three quarters of Federal Fiscal Year 2005. Remaining current is a top priority for OAS management; this item is monitored closely.</p> <p>OAS's increased management oversight, since April 2005, ensures staff is processing the transactions in a timely and accurate manner. OAS will continue to develop effective monitoring procedures to identify and ensure SOL warrants are properly addressed so that refunds to federal programs will occur in a timely manner.</p> <p>The SOL warrants in question have been processed and the resultant Medicaid funds have been refunded to the federal government. This correction occurred on the Medicaid claim (CMS-64) for the quarter ending December 31, 2004 and quarter ending March 31, 2005.</p> <p>April 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$0						

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
05	27	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Aging and Disability Services Administration and Medical Assistance Administration, has not set up an effective system to ensure Medicaid payments are not being made to nursing homes that are not in compliance with federally mandated health and safety standards.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action complete.</p> <p>The Department will continue to use existing mechanisms to ensure that information is accurate while pursuing alternatives.</p> <p>The Department has re-contacted the Centers for Medicare and Medicaid Services (CMS) regarding access to their Adaptive Spatial Peer-to-Peer Network (ASPEN) for view only security to be able to access information, a follow-up per our November 2005 request. CMS has provided additional names for contact but does not feel that access to this system is beneficial to the Department. CMS agrees with Claims Processing that in FY 2005 things improved significantly and that the majority of the time the Department receives appropriate notices in a timely manner. The Department has also eliminated confusion related to notices where action was taken prematurely (due to lack of understanding what the notices meant), which has helped with the overall improvement.</p> <p>The Department does not have the authority to control the accuracy or timeliness of letters sent by the federal government. The Department will continue to work with the regional CMS office to ensure that business processes are seamless and accurate information is shared in a timely manner.</p> <p>March 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$0						

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<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
05	28	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services paid providers with Medicaid funds through the Social Services Payment System for services to clients using Social Security numbers belonging to deceased persons.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$2,232,301</td> </tr> </table> <p>Corrective action in progress.</p> <p>Washington Administrative Code (WAC) 388-476-0005 defines the Department’s current Social Security number (SSN) requirements for medical eligibility, and can be found in the Department’s A-Z Manual at <a href="http://www1.dshs.wa.gov/esa/EAZManual/Sections/SSN.htm">http://www1.dshs.wa.gov/esa/EAZManual/Sections/SSN.htm</a>. Section 3 states “Assistance will not be delayed, denied or terminated pending the issuance of an SSN by the Social Security Administration (SSA). However, a person who does not comply with these requirements is not eligible for assistance.”</p> <p>Verification procedures are described under the section titled “Clarifying Information.” SSN’s are automatically verified through a cross-match with the SSA Numident file, once the data is entered into the Automated Client Eligibility System (ACES).</p> <p>Section 3 under “Clarifying Information” states, “If a current and valid SSN is not available, the department is responsible to assist a client in making an application for an SSN.” SSN discrepancies in Numident generate “alerts” to the workers as described in the ACES User Manual at <a href="http://www1.dshs.wa.gov/esa/acesman/Sections/alerts/alert_188.htm">http://www1.dshs.wa.gov/esa/acesman/Sections/alerts/alert_188.htm</a>. “Alert 253” describes alerts to workers when there is an SSN discrepancy in State Data Exchange (SDX), Beneficiary Data Exchange (BENDEX) or Numident.</p> <p>When the Home and Community Services Quality Assurance Unit reviews client files to confirm financial eligibility, they check to see that the SSN recorded in SSPS is the same as the SSN recorded in ACES. They report discrepancies, using ACES as the correct record of the SSN.</p> <p>The limitations with the SSPS system will be corrected in the new “Provider One” system, when all payments made in SSPS will become part of the new Medicaid Management Information System (MMIS).</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$2,232,301
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$2,232,301						

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
05	28 (Cont'd)	Corrective Action:	<p>This is scheduled to occur in 2008. At that time, all medical and social services payments will be made from the same system, and will use the same ACES SSN verification processes described above.</p> <p>The Department will issue a Management Bulletin (MB) reminding staff of the importance of using the client's correct SSN from ACES, and instructions on how to obtain the ACES SSN by May 30, 2006. The MB will stress the importance of using the accurate SSN when the new MMIS (Provider One) is implemented because using an incorrect SSN in Provider One will cause payments to suspend implementation is not anticipated for several years. The Department of Health will remain dependent upon counties for receipt of death data, resulting in a lag in receipt of the information. Due to this lag, the Department of Social and Health Services will continue its successful post-pay review activities and the identification and recoupment of claims paid for deceased clients.</p> <p>Staff members were informed of Revised Code of Washington (RCW) 9.35.020, via management bulletin this past year, which defines first-degree identity theft as the use of false identification to obtain anything of value. It will be reiterated in the management bulletin referenced above.</p> <p>Changes to SSN's are recorded in the ACES "DEM 1" screen. The changed SSN, the financial worker's ID, and the date of the change are recorded in the "SSNA" screen, and are maintained as a record in ACES. Also included in the "SSNA" screen, is the effective date for financial payments associated with the revised SSN, and verification (V) and federal verification (FV) codes that show the current status of the SSN based on the verification processes described below.</p> <p>It is possible for the auditor to have assurance that ACES Social Security numbers were actually correct and supported the payments when made. We disagree with speculation that the Department attempts to alter audit findings by altering the data.</p> <p>Any instances of apparent identity theft will be referred appropriately. The Department's Payment Review Program re-runs algorithms quarterly and findings are referred to the Office of Financial Recovery or the Medicaid Fraud Control Unit for recovery. No instances of identity theft were found as a result of last year's audit.</p> <p>Completion Date: Estimated, June 2008</p>

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	29	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services does not have adequate internal controls over the processing of expenditures through the Agency Financial Reporting System.</p> <table border="0" data-bbox="609 735 909 798"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">None</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Accounting Policy Management Board (APMB) has developed and adopted Policy 20.01 – The Agency Financial Reporting System (AFRS) Input Security Options. In addition, the AFRS/DRS Security Request form and instructions were updated to correspond with the policy.</p> <p>The policy allows for Department offices to select from two options that must be implemented to ensure there are adequate controls in place regarding AFRS Security. The policy became effective February 1, 2006.</p> <p>A Listserv message was sent out on January 30, 2006 notifying Department fiscal staff of the new policy, the need to adopt one of the two options and that AFRS security needed to be updated for all users.</p> <p>With the implementation of APMB Policy 20.01 and the requirement that offices must select one of the two options, there are controls in place to ensure the internal control over payments is adequate. Option 1 requires a separation of input and release capability. Option 2 requires that a single individual may input and release, but an independent individual receives and reviews all warrants and turnaround documents.</p> <p>In addition, the use of V0D1 (payments to vendors that do not require tax information to be obtained) is monitored closely. On a quarterly basis, the Office of Accounting Services (OAS) sends out a V0D1 report that lists all V0D1 payments made that quarter to each Fiscal Program Manager for review. The program is responsible to ensure the payments are accurate and for only prescribed V0D1 purposes.</p>		<u>CFDA #</u>	<u>Amount</u>		None	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	None	\$0							

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<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
05	29 (Cont'd)	Corrective Action:	<p>As stated above, the use of VOD1 is monitored closely and is used for payments that are not tax reportable such as client reimbursements, child support, protective payee, medical premium payments, retail purchases, or replaced warrants. Appropriate use of VOD1 reduces the agency AFRS costs.</p> <p>The Department does not have one-time payment codes although it is appropriate to use VOD1 for a one-time payment that is not tax reportable. OAS is working with the Office of Financial Management to improve VOD1 controls using exception reports.</p> <p>The Financial Services Administration/Information Technology Office (FSA/ITO) has obtained an electronic file of all AFRS User Ids as well as all mainframe (RACF) User Ids and matched the two files for comparison and research. These files were also matched against current employees in an effort to identify and resolve discrepancies. These actions helped to eliminate specific existing problems prior to moving forward with stronger controls and more agency-wide awareness of the process. This process will be performed semi-annually – April and October.</p> <p>FSA/ITO will consult with the Information Systems Services Division (ISSD) to better coordinate and streamline the process of notifications on requests for access, changes and deletions. Currently FSA/ITO coordinates the AFRS access while the ISSD coordinates the mainframe (RACF) access. AFRS access cannot be used without mainframe (RACF) access. The Department will also be searching for the most efficient and practical methods of responsibility relating to coordination of the RACF and AFRS access.</p> <p>Completion Date: Estimated, June 2006</p>

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<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>											
05	30	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Division of Child Care and Early Learning, does not have adequate internal controls over support for payments made to child care providers.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.575</td> <td>\$800,000</td> </tr> <tr> <td>93.596</td> <td></td> </tr> <tr> <td>93.558</td> <td></td> </tr> <tr> <td>93.667</td> <td></td> </tr> </table> <p>Corrective action in progress.</p> <p>The Division of Child Care and Early Learning (DCCEL) will mail the non-mandatory Department attendance keeping form to all licensed child care providers. A cover memo will remind providers that they can use this form or use a form of their own design as long as it contains the required elements.</p> <p>DCCEL will coordinate with the Quality Assurance Office in the Division of Management Resource and Services to conduct an audit of family child care homes. The audit will include a review of provider attendance records.</p> <p>DCCEL will review the detailed case review information from the State Auditors Office to:</p> <ul style="list-style-type: none"> <li>• Ensure visits were documented correctly.</li> <li>• Follow-up with an onsite visit when necessary.</li> <li>• Follow up as needed to resolve issues.</li> <li>• Document outcomes in the case records.</li> </ul> <p>Estimated, June 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$800,000	93.596		93.558		93.667	
<u>CFDA #</u>	<u>Amount</u>												
93.575	\$800,000												
93.596													
93.558													
93.667													

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	31	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Division of Child Care and Early Learning and Children’s Administration did not perform adequate background checks.</p> <table border="0" data-bbox="711 730 1015 798"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Department does not concur with this finding. The Department trains licensors in all aspects of conducting and monitoring background checks, and cites providers and applicants when they are out of compliance. Agency regulatory actions include civil penalties, license suspension and license revocation.</p> <p>The Department conducts approximately 35,000 background checks for childcare and about 16,500 for foster care. Requiring licensors to perform a visual confirmation of the person and photo identification is not possible for such a large number of background checks.</p> <p>There is no requirement that the Department document Washington state residency, and there is no uniform widely accepted documentation for proving residency. Photo identification and residency documents can also be falsified.</p> <p>State law RCW 74.15.030(2)(b) does not allow for nationwide fingerprint-based background checks to be performed on persons who have lived in the state for more than three years and cannot verify their residency. Performing these checks would require a statutory change. The Joint Legislative Task Force on Background Checks intends to review the legislative, fiscal, stakeholder and information technology infrastructure changes needed to implement such fingerprint checks as a priority agenda item for next year.</p> <p>The most recent data available (March 6, 2006 Government Management, Accountability and Performance presentation) shows the Department is at 99 percent timeliness for monitor visits. The Department has a goal of 95 percent or greater, and has met that goal in each month since October 2005.</p>		<u>CFDA #</u>	<u>Amount</u>		N/A	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	N/A	\$0							

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
05	31 (Cont'd)	Corrective Action:	The Department will request the auditor's files and review them for accuracy. Staff will take the appropriate actions needed to address identified deficiencies by June 30, 2006.
		Completion Date:	Estimated, June 2006

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<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
05	32	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Economic Services Administration, reimbursed contractors for services that were not adequately supported.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">10.561</td> <td style="text-align: right;">\$136,891</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Basic Food Education and Outreach Program will require that contractors input the date Basic Food Education and Outreach was delivered into the Online Reporting System. Payments to contractors will only be made for client intake and application assistance contacts and assistance that include the date of service or contact. The Basic Food Education and Outreach contracts will be amended to add this requirement in May 2006.</p> <p>Contractors will be required to maintain back up documentation of client intake and application assistance contacts and group presentations that contain at a minimum:</p> <ul style="list-style-type: none"> <li>• Client name</li> <li>• Date of birth</li> <li>• Signature</li> <li>• Phone number or contact information</li> <li>• Date of service</li> </ul> <p>For all application and intake contacts, prior to authorizing payment the Department will:</p> <ul style="list-style-type: none"> <li>• Compare invoiced billing information to information in the online reporting system. No payment will be made for duplicated contacts and the contractor will be informed in writing.</li> <li>• Pull a monthly random sample (consisting of five percent of 100 intake clients and 25 application assistance clients), and make contact by phone to verify services were provided.</li> <li>• Authorize payment only for sampled claims when delivery of services is verified. If unable to verify services, request the contractor to provide documentation/verification, within 30 days, that services were indeed provided.</li> </ul>	<u>CFDA #</u>	<u>Amount</u>	10.561	\$136,891
<u>CFDA #</u>	<u>Amount</u>						
10.561	\$136,891						

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<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
05	32 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• Require contractors to develop a Corrective Action Plan if contact discrepancies exceed 5% of verified contacts for any given billing period.</li> </ul> <p>The Department will also conduct other monitoring practices, after payment has been authorized, to verify services were received as described in the monitoring plan.</p> <p>As of March 2006, the Department only pays for Basic Food Education and Outreach services on a reimbursement basis for services made available to potential food stamp recipients. Invoices are checked for duplicate names within the entire list of contractor and subcontractors to verify a contact is not seen by different subcontractors within the same month of service. No payment is made for duplicated contacts by the same subcontractor or primary contractor.</p> <p>Completion Date: Estimated, May 31, 2006</p>

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05	33	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services made unallowable duplicate payments through the Social Services Payment System.</p> <table border="0"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.658</td> <td>\$6,480</td> </tr> <tr> <td>93.659</td> <td>\$3,000</td> </tr> <tr> <td>93.778</td> <td>\$35,398</td> </tr> </tbody> </table> <p>Corrective action complete.</p> <p>The Department will continue to work closely with the Payment Review Program to run algorithms to detect duplicate payments.</p> <p>In subsequent review, only one of the five clients identified for duplicate payments in the Children's Administration was actually a duplicate payment. An overpayment for this exception was established in October 2004.</p> <p>The Aging and Disabilities Services Administration has established overpayments on the eight duplicate payments identified in the audit process in October 2005.</p> <p>Once overpayments are established, they are sent to the Office of Financial Recovery for collection. If fraud is not involved, funds are returned to the appropriate funding source within 60 days.</p> <p>October 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.658	\$6,480	93.659	\$3,000	93.778	\$35,398
<u>CFDA #</u>	<u>Amount</u>										
93.658	\$6,480										
93.659	\$3,000										
93.778	\$35,398										

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<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
05	34	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services does not ensure that all recovered overpayments are credited to the appropriate funding source.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>Not determined</td> <td>\$0</td> </tr> </table> <p>Corrective action complete.</p> <p>The Department's Financial Services Administration developed a new Social Services Payment System (SSPS) account code history table that cross matches SSPS program codes (service, source, reason) to Agency Financial Reporting System account codes for the period of time in which they were used for warrant processing. This new process modified the Client Receivable System accounting module to distribute payment recoveries according to the distribution of the SSPS program code lines ensuring overpayments are credited to the appropriate funding sources.</p> <p>These changes were implemented on October 1, 2005.</p> <p>October 2005</p>	<u>CFDA #</u>	<u>Amount</u>	Not determined	\$0
<u>CFDA #</u>	<u>Amount</u>						
Not determined	\$0						

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<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	35	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services does not have adequate internal controls over the Social Service Payment System.</p> <table border="0" data-bbox="711 705 1013 768"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">Not Specified</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>No software for the UNYSIS mainframe is currently available to resolve the defined issues. The Social Service Payment System Unit (SSPS) continues to make a concerted effort to locate appropriate UNISYS software. Current front-end systems utilize technology that fills the gap between what UNYSIS can do and what is needed.</p> <ul style="list-style-type: none"> <li>• UNISYS does not allow for the tracking of transaction activities within the system. The new front end WebConnect re-write, rolled out in April 2006, allows for the tracking of transactions within the system. The program stores a string of data for each transaction that is linked to the user profile.</li> <li>• The Department has made a concerted effort to reduce the operator ID database and to keep it as complete and accurate as possible by reviewing the database on a monthly schedule, removing individuals and duplicates as soon as the need to do so becomes known, and adding only individuals that are appropriate. The Information System Services Division (ISSD) and SSPS staff members review the files and update them monthly. The Automated Client Eligibility System (ACES) changes and Department of Personnel updates are also used to keep the file accurate. Individuals not requiring access, because they have other front-end access, have their operator ID removed to prevent double access. All individuals noted by the State Auditor's Office (SAO) as needing removal or further identification have been removed or identified.</li> <li>• SSPS's new WebConnect replaced the current Com Object with a web service program. Neither requires operator IDs but associate the name and personal security permissions of each user who logs on.</li> </ul>		<u>CFDA #</u>	<u>Amount</u>		Not Specified	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	Not Specified	\$0							

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05	35 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• The limitations of the current system did not allow operators to have the inquiry-only access necessary to do their work and avoid duplicate payment without the use of a generic operator ID. This allowed them to only see information within their area of work responsibility. WebConnect eliminates generic operator IDs. Workers access their own computer system and have specific assigned user profiles for SSPS that are based on their work needs. All operators in the system have a profile identification that is maintained in a single file by ISSD.</li> <li>• All individuals with more than one operator ID, were found in file searches or identified by the State Auditor’s Office, and removed in February 2006. Systematic checks for duplicates are performed routinely each month.</li> <li>• The current system was not protected with “hardened” passwords. Therefore, the new WebConnect utilizes the “hardened” password of each individual user upon entry to their individual computer systems at their local LAN. This not only makes use of the required “hardened” passwords, but it also requires the changing of passwords every 120 days or less, further increasing security. This became functional as part of the WebConnect and Fortress processes.</li> <li>• The Department has used a “lock-out” mechanism since the inception of SSPS. Through numerous updates and changes to SSPS, the “lock-out” mechanism became inactive. SSPS reinitiated a “lock-out” mechanism with the activation of WebConnect. It takes advantage of the “hardened” password and ‘lock-out” mechanisms of each user’s computer system local area LAN access already in place.</li> <li>• The Department has substantially reduced the number of individuals that have access to provider file input from 32 to 12. Of these, five are in the Office of Accounting Services (OAS) and use the provider file to establish or deactivate liens; two SSPS Program Managers establish direct deposit and/or stops; two program managers process information regarding payment adjustments; and three SSPS Program Managers modify rates and service codes for program payments. These activities require a high degree of knowledge related to program needs and activities.</li> </ul>

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05	35 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• WebConnect records a string of data relating directly to the user profile on the individuals system account when any change is made in the provider file. This allows for the tracking of changes made to the provider file and who made them.</li> <li>• The Department has successfully reduced the number of individuals with dual access to eight while maintaining system functions. These, individuals are all SSPS Program Managers and one SSPS Provider File Supervisor. To further reduce the risk, a Sequel program that compares providers and payments to state employee personnel data is run monthly with auditing and verification of correct payment processes being monitored from it.</li> <li>• While the WebConnect tracking function is not a total separation of duties, the Department believes that it enables the Department to successfully complete SSPS functions while reducing the risk rate to the lowest denominator possible.</li> <li>• WebConnect allows for a view-only or a view, add, or modify access to this screen controlled through the user profile.</li> <li>• SSPS and OAS have developed a secondary process to supplement the inadequacies of the legacy system that does not allow for reconciliation and complete payment information. Recorded transactions and information on payments that require manual intervention are stored and compiled in a Sequel database for processing with internal system information. In December 2005, SSPS negotiated with the SAO; this Sequel database fulfills the SSPS portion of this process.</li> <li>• The SSPS Chief understands, as project sponsor, that this database is being reconciled with OAS quarterly, and the information was used in the preparation of 2005 tax documents without issue.</li> <li>• SSPS continues to make a concerted effort to locate UNISYS software for the change control function. SSPS has not been aware of any affordable software for the UNISYS mainframe having the functionality to maintain a record of the changes made by staff. Software that may serve the function comes at a \$200,000 cost, far beyond the budget of a system slated for replacement in the near future. The possibility that a portion of Visual Studio Pro and Source Safe may be capable of recording who made the changes to</li> </ul>

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05	35 (Cont'd)	Corrective Action:	<p>programs and what changes they made and may also track multiple versions will be investigated. However, it can only record that someone has checked a program out, not prevent two people from checking it out. SSPS will investigate, test, and install Visual Studio Pro and Source Safe functions by July 2006.</p> <ul style="list-style-type: none"> <li>• Until such time as software becomes available for UNISYS, SSPS will continue to use its current manual process for risk reduction. The current process requires a sign-on and sign-off identity specific to an individual user and creates an audit trail that is verifiable. Extra supervision is maintained over the safeguards to ensure proper usage of the system since automation is not available for the current system. Ongoing review of all sign-on and sign-off is being audited by the SSPS Operations Manager and IT Manager. To date, no problems with this security issue have been detected.</li> <li>• The practice of re-pointing Executive Control Language (ECL) does not allow unauthorized programs to run, because the ECL change is reported to a temporary authorized production environment controlled by ISSD. This controlled flexibility is necessary to ensure payment occurs timely if a problem occurs outside regular working hours. Only authorized on-call staff members have access rights. SSPS, ISSD, and the Division of Information Services assessed devising a program that electronically controls or locks the system without success. All parties have been unable to locate UNISYS or other software to perform this function. The Department's investigation of Visual Studio Pro and Source Safe may address this issue. The Department has just become aware of this program's properties and will study it to determine if it will fulfill this requirement.</li> <li>• Blocking payment to restricted providers removes the ability to pay for services due providers or their estates. Several of the divisional front-end systems to SSPS block field staff from opening or extending authorizations that attempt to pay providers that have a 1, 2 or 4 status codes in the SSPS Provider File. Within WebConnect, a pop-up warning has been added in the S03 screen (authorization screen) for providers that are status 1, 2, or 4 to prevent inappropriate new authorizations to these providers. This reduces many of the possible inappropriate uses of these providers and reduces overpayments.</li> </ul>

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05	35 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• In most instances, a status 4 coded file does not contain an address, thereby ensuring SSPS is contacted and an informed decision is made before any payment would be made. The Department continues to look for more secure processes that will allow payment yet not allow the possibility of errors.</li> <li>• SSPS is able to accept and make electronic payments for Health Insurance Portability and Accountability Act (HIPAA) purposes. However, no providers have chosen to use the system. It has been tested; but final information displays cannot be used until a provider submits an actual claim.</li> </ul> <p>A new Medicaid Management Information System is in the procurement phase and will provide full HIPAA compliance in 2008 for the few services now paid through SSPS that come under HIPAA regulations.</p> <p>Completion Date: Estimated, July 2008</p>

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05	36	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Economic Services Administration, should improve compliance with eligibility requirements for the Temporary Assistance for Needy Families Program.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.558</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action complete.</p> <p>Comparing Social Security numbers (SSN) provided by applicants to those contained in records maintained by other state or federal agencies of the 68 cases, the Department found:</p> <ul style="list-style-type: none"> <li>• 38 cases were closed cases,</li> <li>• 12 cases have been worked and require no further action,</li> <li>• 18 cases have been referred to the Community Service Offices for review and correction.</li> </ul> <p>The Automated Client Eligibility System upgrade to the State On Line Query System (SOLQ) system was implemented on April 16, 2006. The upgrade helps ensure correct SSNs. Notification was sent to field staff on SOLQ changes.</p> <p>The Department will continue to:</p> <ul style="list-style-type: none"> <li>• Monitor correction of records.</li> <li>• Verify SSNs by following state regulations.</li> </ul> <p>April 16, 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.558	\$0						

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05	37	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Economic Services Administration, does not adequately monitor other state agencies to which it provides funds from the federal Temporary Assistance to Needy Families Program.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.558</td> <td style="text-align: center;">\$7,516,082</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Department partially concurs with the findings. The monitoring plan contained weaknesses that have been corrected and the following action steps have been taken:</p> <p><b><u>Employment Security Department (ESD):</u></b> The Department will amend the contract with language that clearly specifies quarterly reporting of:</p> <ul style="list-style-type: none"> <li>a) Client names served by the partner agency;</li> <li>b) The size of the monitoring sample and the percentage of the sample that will require eligibility and service verification;</li> <li>c) Billing methodology;</li> <li>d) Verification that the methodology is being applied correctly.</li> </ul> <p>The Department will select a random sample of clients subject to monitoring. In addition, the Department will become involved in ESD's internal monitoring process to ensure that eligibility, services and billing methodology are being accurately and consistently applied. This will be completed by June 2006.</p> <p><b><u>Community Trade and Economic Development:</u></b> The Department will amend the contract with language that clearly specifies quarterly reporting of:</p> <ul style="list-style-type: none"> <li>a) Client names served by the partner agency;</li> <li>b) The size of the monitoring sample and the percentage of the sample that will require eligibility and cost verification.</li> </ul> <p>The Department will select a random sample of clients subject to monitoring. This will be completed by June 2006.</p>		<u>CFDA #</u>	<u>Amount</u>		93.558	\$7,516,082
	<u>CFDA #</u>	<u>Amount</u>							
	93.558	\$7,516,082							

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05	37 (Cont'd)	<p>Corrective Action:</p> <p><b>State Board of Community and Technical Colleges (SBCTC):</b> The Department will amend the contract with language that clearly specifies quarterly reporting of:</p> <ul style="list-style-type: none"> <li>a) Client names served by the partner agency;</li> <li>b) The size of the monitoring sample and the percentage of the sample that will require eligibility and cost verification.</li> </ul> <p>The Department will select a random sample of clients subject to monitoring.</p> <ul style="list-style-type: none"> <li>• The Division of Employment and Assistance Programs (DEAP) requested and received verification from SBCTC of the screening process used to identify low income students that are eligible for Temporary Assistance to Needy Families Program (TANF) funded services.</li> <li>• DEAP will conduct monitoring visits to randomly selected colleges in conjunction with SBCTC. DEAP will ensure that the method used by the colleges to screen low income non-TANF recipients is accurate for TANF funded services. Three colleges will be selected for random sampling on a quarterly basis. Of that sample, 5% will require further eligibility and billing verification from SBCTC. The Department will conduct the first round of visits to Clark College, Renton Technical College and Spokane Valley Community College. These steps will be completed by June 2006.</li> </ul> <p>Beginning in April 2006, DEAP will require that SBCTC provide a count of the numbers of students being served at every billing. The students will also need to be separated between the number of TANF recipients and Low Income recipients eligible for the TANF funded employment and training program.</p> <p>DEAP will also require the SBCTC to provide eligibility verification with billing information for 5% of the random sample of students each quarter beginning in April 2006. The amount billed from the 5% sample plus that of the remainder of the students should add to the total amount of the quarterly invoice.</p> <p>The Department disagrees with the State Auditor's Office on the questioned \$7,516,082 cost. DEAP has requested and received verification from the SBCTC on randomly selected colleges, who</p>

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05	37 (Cont'd)	Corrective Action:	provided proof of income and eligibility for the Low Income employment and training program in question. All clients meet the definition of low income and are eligible to be served by the colleges. Therefore the SBCTC is entitled to bill and receive payment for services rendered under the TANF contract.
		Completion Date:	Estimated, June 2006

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05	38	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Economic Services Administration, did not comply with state and federal regulations requiring a monthly inventory of electronic benefit transfer cards used by the Food Stamp Program.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>10.551</td> <td>\$0</td> </tr> <tr> <td>10.651</td> <td></td> </tr> </table> <p>Corrective action complete.</p> <ul style="list-style-type: none"> <li>• All Community Service Offices (CSO's) are required to send an EBT card inventory reconciliation report each month to their Region office. Region office staffs are required to send a monthly report to Headquarters reporting all offices in the region have reconciled.</li> <li>• Headquarters monitors and follows up on any Region not reporting as required.</li> <li>• A review of the EBT card inventory reconciliation process is sent to the field to ensure all CSO's understood and follow the required process. (sent with Director's letter)</li> <li>• The new reporting requirements were reviewed with the Regional Administrators with a follow up expectations letter to the field from the Community Service Division Director.</li> <li>• These changes were implemented by April 1, 2006.</li> </ul> <p>April 2006</p>	<u>CFDA #</u>	<u>Amount</u>	10.551	\$0	10.651	
<u>CFDA #</u>	<u>Amount</u>								
10.551	\$0								
10.651									

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05	39	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Division of Disability Determination Services, did not comply with state and federal regulations when contracting for services paid with Social Security Disability Insurance Program funds.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">96.001</td> <td style="text-align: right;">\$7,740,327</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Division has consulted with the Office of Financial Management (OFM) regarding the proper classification for our consultative evaluation services. OFM determined that services provided to our claimants by physicians, psychologists and psychiatrists are in fact, personal services.</p> <p>The Division will develop and issue a personal service contract to any medical provider who agrees to see our claimants at our fee schedule. The Division will monitor the competitive procurement process for any decrease in the number of providers available to perform evaluations.</p> <p>Based on OFM's determination, the Division will competitively procure for consultative examination services. The Division will issue personal service contracts for any individual medical practitioner.</p> <p>Estimated, October 2007</p>	<u>CFDA #</u>	<u>Amount</u>	96.001	\$7,740,327
<u>CFDA #</u>	<u>Amount</u>						
96.001	\$7,740,327						

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05	40	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Division of Disability Determination Services, reported incorrect expenditures for the Social Security Disability Insurance Program on several reports, including the Schedule of Expenditures of Federal Awards.</p> <table border="0"> <tr> <td data-bbox="605 768 781 800"><u>CFDA #</u></td> <td data-bbox="784 768 906 800"><u>Amount</u></td> </tr> <tr> <td data-bbox="605 804 781 835">96.001</td> <td data-bbox="784 804 906 835">\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Division of Disability Determination Services had a temporary breakdown of internal controls when two of four of the administrative accounting staff were out on maternity leave. Since then, the Division has reviewed internal controls to ensure that this type of error will not occur in the future.</p> <p>The Division reports disbursements from the state accounting system and reports obligations from an in-house legacy system. The Division is highly motivated to ensure that the amounts from both systems agree to our official report to the Federal grantor.</p> <p>The Division is in the process of implementing a reconciliation method and other procedures to ensure that the disbursement amounts reported on the 4513 report agree to the state accounting system. This reconciliation is expected to be completed by June 30, 2006.</p> <p>Estimated, June 2006</p>	<u>CFDA #</u>	<u>Amount</u>	96.001	\$0
<u>CFDA #</u>	<u>Amount</u>						
96.001	\$0						

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05	41	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Division of Disability Determination Services, received reimbursement for unallowable costs for the Social Security Disability Insurance Program.</p> <table border="0" data-bbox="711 737 1015 800"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">96.001</td> <td style="text-align: center;">\$76,021</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Memorandum of Understanding between the Washington State Patrol, Division of Disability Determination Services and Social Security Administration is valid until September 2006. The subsequent MOU will be revised to reflect allowable indirect costs that WSP can charge to SSA.</p> <p>The Division's administrative Fiscal Unit reviewed all WSP billings since inception of the program and determined that all costs were allowable (with the exception of indirect costs). However, the Division has asked the WSP to send payroll back-up documentation that matches their billings so that there is no confusion on what is being billed in the future.</p> <p>Estimated, October 2006</p>		<u>CFDA #</u>	<u>Amount</u>		96.001	\$76,021
	<u>CFDA #</u>	<u>Amount</u>							
	96.001	\$76,021							

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05	42	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Health and Recovery Services Administration, claimed costs for unallowable activities under the State Children’s Health Insurance Program.</p> <table border="0" data-bbox="607 737 935 793"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.767</td> <td style="text-align: center;">\$1,573,409</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Health and Recovery Services Administration does have policies and procedures in place to identify allowable costs for transfer from Medicaid to the State Children’s Health Program (SCHIP). Our current process involves a quarterly matching of Department of Health (DOH) live births to claims data for the period of one day prior to birth and back 270 days. From this data, inpatient hospital claims for labor &amp; delivery, abortion, and sterilization are excluded.</p> <p>Additionally, the Administration has been advised by the Centers for Medicare and Medicaid Services (CMS) in an e-mail dated December 12, 2005 from Elizabeth Trias that they will “allow costs for such services as dental, vision care and physical therapy since Washington covers all services for women under the SCHIP unborn as they do under the pregnant women’s program.”</p> <p>The Administration received guidance from CMS on the allowability of costs, as noted above. As a result, the use of SCHIP funds for these costs is based on CMS guidance, and is allowable.</p> <p>The Administration will seek additional detail information of the questioned costs of \$1,573,409 in order to determine how these are related to labor &amp; delivery, postpartum and family planning.</p> <p>Estimated, June 2006</p>		<u>CFDA #</u>	<u>Amount</u>		93.767	\$1,573,409
	<u>CFDA #</u>	<u>Amount</u>							
	93.767	\$1,573,409							

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05	43	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Mental Health Division, did not comply with state laws or the Department’s policies and procedures for recovering a Community Mental Health Services Block Grant overpayment reported in the previous audit.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.958</td> <td>\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Mental Health Division (MHD) will develop and/or modify necessary policies and procedures to define and prevent advance payments.</p> <p>The MHD will ask for a state Assistant Attorney General’s (AAG) opinion on whether it can legally recoup anything under the terms of the contract and circumstances with this particular Contractor. Upon receipt of the AAG opinion, the MHD will take the appropriate action.</p> <p>The MHD will coordinate with Office of Financial Recovery to develop necessary policies and procedures to identify and resolve questionable bills from, or payments to Contractors.</p> <p>These steps will be completed by May 31, 2006.</p> <p>Estimated, May 31, 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.958	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.958	\$0						

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05	44	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Mental Health Division, did not comply with state and federal regulations when contracting for services paid with federal Community Mental Health Services Block Grant funds.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.958</td> <td>\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Mental Health Division (MHD) currently is in the process of staffing a Contracts Unit that has been lacking for more than a year. This will ensure that there is proper tracking of start dates for Mental Health Block Grant funds in the future. Since February 2006, no federal block grant contracts or amendments have been executed with start dates prior to the signing date.</p> <p>Training will be given to all program managers on contract management by October 2006 and after-the-fact signing will be addressed.</p> <p>MHD is ensuring it is following its own Policy 6.03 that requires that block grant contracts not be approved after work has started.</p> <p>In addition, MHD will follow the new draft Administrative Policy 13.10 upon implementation, which directly addresses after-the-fact contracts for the Department.</p> <p>Estimated, October 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.958	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.958	\$0						

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
05	45	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Mental Health Division, did not comply with federal requirements for an independent peer review of the Community Mental Health Services Block Grant.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.958</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Mental Health Division (MHD) is in the process of revising the Mental Health Block Grant (MHBG) Policy (6.03) to include the requirement and execution of Peer Reviews as per SAO finding related to Title V of the Public Health Service Act [42 U.S.C. 300x-1 et seq.] Section 1943 and will clearly define and address each of the following:</p> <p>a) The State will:</p> <p>(1) (A) for the fiscal year for which the grant involved is provided, provide for independent peer review to assess the quality, appropriateness, and efficacy of treatment services provided in the State to individuals under the program involved; and</p> <p>(B) ensure that, in the conduct of such peer review, not fewer than 5 percent of the entities providing services in the State and are representative of the total population of such entities;</p> <p>(2) permit and cooperate with Federal investigations undertaken in accordance with section 1945 [Failure to Comply with Agreements]; and</p> <p>(3) provide to the Secretary of DSHS any data required pursuant to Section 505 and cooperate with others in the Department to develop uniform criteria for the collection of data pursuant to such section.</p> <p>MHBG State Planner will coordinate with Federal and other State Planners to develop a process by which this policy will be implemented by August 15, 2006.</p> <p>MHBG State Planner will ensure to the best of his/her ability that the Independent Peer Review is conducted by September 30, 2006.</p> <p>Estimated, September 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.958	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.958	\$0						

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	46	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Mental Health Division, is not complying with subrecipient monitoring requirements for the Community Mental Health Services Block Grant.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.958</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Mental Health Division (MHD) will complete its review of open issues identified through its various monitoring activities by May 2006 and take the appropriate action if needed. Efforts are currently underway to review the contract reimbursement methods and adequate support documentation required to process requests for payment with a completion date of October 2006.</p> <p>The MHD will modify current contract language with subrecipient (non-Tribal) requiring Contractors to formally report to the MHD who they subcontract with and for what amounts by October 2006. Additionally, the MHD will require through contract language that the Contractor and their subrecipients (non-Tribal) are required to submit copies of any A-133 audits (other than those done by the State Auditor's Office (SAO)) to the MHD within 30 days of the completed audit report.</p> <p>The MHD is currently exploring its legal authority to implement this with Tribal (sovereign) Nations.</p> <p>The MHD will review A-133 audits as submitted to the MHD for corrective action issue related to community mental health block grant funds and provide follow-up as needed to verify action steps have been implemented. This will be completed by October 2006.</p> <p>The MHD will also develop internal policies for addressing timely corrective action items related to non-SAO conducted A-133 audits by October 2006.</p> <p>Estimated, October 2006</p>		<u>CFDA #</u>	<u>Amount</u>		93.958	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	93.958	\$0							

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**Department of Community, Trade and Economic Development (CTED)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	47	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Community, Trade, and Economic Development did not comply with state and federal regulations when contracting for services paid with federal Low Income Home Energy Assistance Program funds.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.568</td> <td style="text-align: center;">\$60,000</td> </tr> </table> <p>Corrective action in progress.</p> <p>While the Department agrees that it does not comply with state laws and regulations related to personal services contracts, it does receive all the deliverables called for in the contract.</p> <p>Subsequently the Department hired a Contracts Specialist to develop contracting policies and procedures. The Department's draft policies and procedures require a review of requests to issue a contract. The review includes a determination of contract type and classification.</p> <p>Estimated, June 30, 2006</p>		<u>CFDA #</u>	<u>Amount</u>		93.568	\$60,000
	<u>CFDA #</u>	<u>Amount</u>							
	93.568	\$60,000							

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**Department of Community, Trade and Economic Development (CTED)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	48	<p>Finding: The Department of Community, Trade, and Economic Development, Energy Assistance Section, is not complying with subrecipient monitoring requirements for the Low Income Home Energy Assistance Program.</p> <p>Questioned Costs:</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.568</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The LIHEAP program has consolidated several policies, procedures and protocols into one comprehensive document. This will ensure better and more complete documentation of risk assessment and monitoring activities. Also, the risk assessment of all Community Action Agencies is being enhanced.</p> <p>Completion Date: Estimated, December 2006</p>		<u>CFDA #</u>	<u>Amount</u>		93.568	\$0	
	<u>CFDA #</u>	<u>Amount</u>							
	93.568	\$0							

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**Department of Community, Trade and Economic Development (CTED)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	49	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Community, Trade, and Economic Development did not comply with earmarking requirements for the Low Income Home Energy Assistance Program.</p> <table border="0" data-bbox="711 730 1023 798"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.568</td> <td style="text-align: center;">\$476,609</td> </tr> </table> <p>No action taken.</p> <p>CTED disagrees with the finding. The Department of Health and Human Services (HHS), by national formula, allocates LIHEAP funds to each state, which includes an allocation to the state and a tribal set-aside. For at least the past eighteen years, CTED has used the total amount allocated to all Washington recipients as the basis for computing the maximum amount to be spent on the Weatherization Program. The calculation has been a part of the Annual Plan submitted to and approved by HHS each year.</p> <p>No Indian tribe in the state provides Weatherization activities because the start-up costs are too expensive. Tribes use their allotment of LIHEAP funds solely for heating assistance. Tribal members receive Weatherization assistance from the funds distributed to CTED's subrecipients for that purpose.</p> <p>N/A</p>		<u>CFDA #</u>	<u>Amount</u>		93.568	\$476,609
	<u>CFDA #</u>	<u>Amount</u>							
	93.568	\$476,609							

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**University of Washington (UW)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan																			
05	50	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>Certain University departments' controls are not working effectively to ensure Time And Effort Certification forms are completed in a timely manner and to ensure monthly certification of salaries and wages paid for federal programs are completed as required.</p> <table border="0"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr><td>93.389</td><td>\$0</td></tr> <tr><td>93.866</td><td></td></tr> <tr><td>93.846</td><td></td></tr> <tr><td>93.837</td><td></td></tr> <tr><td>93.864</td><td></td></tr> <tr><td>93.866</td><td></td></tr> <tr><td>93.856</td><td></td></tr> <tr><td>93.859</td><td></td></tr> </tbody> </table> <p>Corrective action in progress.</p> <p><u>Faculty Effort Certifications (FECs):</u> The University is engaged in a variety of projects that will improve the timeliness of faculty effort certification. Those projects include mandatory training of all faculty receiving effort reports (concluded November 30, 2005).</p> <p>In addition, the University is enhancing its follow-up process to ensure FECs are certified and submitted in a timely manner. Also, individual departments cited in this finding will strengthen their monitoring and follow-up processes.</p> <p>Finally, the University is beginning a process to replace the existing manual system with an electronic effort reporting and certification system. Later this spring, the University will begin an analysis that is expected to result in a decision to build or buy a new electronic effort reporting system. The new system will include enhanced tracking and follow-up capabilities.</p> <p><u>Grant and Contract Certification Reports (GCCR):</u> The University has worked with departments on a campus wide basis and specifically with those cited in this finding to strengthen controls that ensure GCCRs are signed in a timely manner.</p> <p>Non-system changes to be completed by June 30, 2006. System changes will extend over a 2-4 year period.</p>	<u>CFDA #</u>	<u>Amount</u>	93.389	\$0	93.866		93.846		93.837		93.864		93.866		93.856		93.859	
<u>CFDA #</u>	<u>Amount</u>																				
93.389	\$0																				
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**University of Washington (UW)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
05	51	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The University did not submit financial status reports in a timely manner.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>Not Specified</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>Grant and Contract Accounting (GCA) experienced a 50% rate of turnover in the fiscal positions responsible for preparing FSRs in 2005. GCA is working aggressively to hire and train new staff so that FSRs can be submitted in a timely manner.</p> <p>GCA has been working diligently to staff vacant positions over the last several months. While it is hoped to have all relevant vacancies filled by December 31, 2006, training on preparation of Financial Status Reports will extend into 2007.</p> <p>Spring 2007</p>	<u>CFDA #</u>	<u>Amount</u>	Not Specified	\$0
<u>CFDA #</u>	<u>Amount</u>						
Not Specified	\$0						

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**Department of Community, Trade and Economic Development (CTED)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	52	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Community, Trade and Economic Development did not comply with federal requirements for suspension and debarment for the Home Investment Partnership Program.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">14.239</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action complete.</p> <p>The Housing Repairs and Rehabilitation program (HRRP) now has signed certifications from all contractors acknowledging the suspension and debarment requirements, including the lower tier notifications. The Tenant Based Rental Assistance (TBRA) program has included in all existing contracts the notification that subgrantees also have responsibilities regarding suspension and debarment when they make further awards or vendor payments.</p> <p>February 2006</p>		<u>CFDA #</u>	<u>Amount</u>		14.239	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	14.239	\$0							

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**Employment Security Department (ESD)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	53	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Employment Security has inadequate internal controls over payments to claimants for unemployment insurance benefits.</p> <table border="0" data-bbox="711 703 1015 766"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">17.225</td> <td style="text-align: center;">\$54,523</td> </tr> </table> <p>Corrective action complete.</p> <p>Employment Security has implemented the following corrective actions to address this finding:</p> <ul style="list-style-type: none"> <li>• Performing a weekly cross match with the Department of Labor and Industries to identify and investigate claimants receiving unemployment insurance and industrial insurance benefits concurrently.</li> <li>• Reprogrammed the Department’s benefit system to eliminate improper payment of claimant’s waiting week.</li> <li>• Continuing to ensure that Department procedures are followed so that pension benefit reductions are accurately calculated and estimated pensions are properly monitored and resolved.</li> <li>• Establishing and actively collecting benefit overpayments identified as a result of this audit.</li> </ul> <p>July 2005</p>		<u>CFDA #</u>	<u>Amount</u>		17.225	\$54,523
	<u>CFDA #</u>	<u>Amount</u>							
	17.225	\$54,523							

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**Employment Security Department (ESD)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
05	54	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Employment Security Department did not comply with federal requirements for suspension and debarment for the Workforce Investment Act and Unemployment Insurance programs.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">17.258 – 17.260</td> <td style="text-align: center;">\$0</td> </tr> <tr> <td></td> <td style="text-align: center;">17.225</td> <td></td> </tr> </table> <p>Corrective action complete.</p> <p>The Employment Security Department has implemented the following corrective actions to address this finding:</p> <ul style="list-style-type: none"> <li>• Revised the General Terms and Conditions used for each grant and contract to include the appropriate language on suspension and debarment.</li> <li>• Including a separate certification in each contract to be signed by each contractor that they are in compliance with suspension and debarment requirements.</li> <li>• Including the appropriate revised general terms and conditions in all new grants and contracts.</li> </ul> <p>March 2006</p>		<u>CFDA #</u>	<u>Amount</u>		17.258 – 17.260	\$0		17.225	
	<u>CFDA #</u>	<u>Amount</u>										
	17.258 – 17.260	\$0										
	17.225											

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**Military Department (MIL)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	55	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Military Department is not properly accounting for and safeguarding assets purchased by the National Guard Military Operations and Maintenance Projects Program.</p> <table border="0" data-bbox="711 730 1015 798"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">12.401</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>The 2005 inventory of fixed assets is now completed and documented. All future inventories will be completed in accordance with state requirements. An off year inventory is going to be completed for State Fiscal Year 2006.</p> <p>Ammunition will no longer be shipped directly to or stored at a vendor's location.</p> <p>The inventory will be counted by an individual with no direct responsibility for the assets subject to inventory.</p> <p>The Department's policy and procedures will be reviewed and updated as necessary to ensure they meet the minimum requirements in the State Administrative &amp; Accounting Manual for asset tracking.</p> <p>The Department will return to using the Capital Asset Management System for tracking small and attractive items.</p> <p>August 31, 2006</p>		<u>CFDA #</u>	<u>Amount</u>		12.401	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	12.401	\$0							

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**Military Department (MIL)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
05	56	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Military Department is not in compliance with subrecipient monitoring requirements for the State Domestic Preparedness Equipment Support Program.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">16.007</td> <td style="text-align: center;">\$1,486,473</td> </tr> <tr> <td></td> <td style="text-align: center;">97.004</td> <td></td> </tr> </table> <p>Corrective action in progress.</p> <p>Additional requirements will be added to the Department's policy and procedures. Program specific policy and procedures will be developed. Staff will be trained on procedures and a division-wide monitoring schedule will be established.</p> <p>Report to management about number of sub-recipient monitoring visits/contacts made to date on a quarterly basis, beginning September 30, 2006.</p> <p>By July 1 2006, incorporate additional language into existing contracts via amendments and into new contracts to clearly explain equipment management protocols.</p> <p>Through sub-recipient monitoring, incorporate equipment inventory tracking system reviews.</p> <p>The status of all CY 2004 A-133 single audits will be determined and documented by September 30, 2006. The status of all CY 2005 A-133 single audits will be determined and documented by June 30, 2007.</p> <p>The action items related to this audit finding will be reviewed and reported on as part of the Department's Government Management Accountability and Performance (GMAP) quarterly meetings.</p> <p>June 30, 2007</p>		<u>CFDA #</u>	<u>Amount</u>		16.007	\$1,486,473		97.004	
	<u>CFDA #</u>	<u>Amount</u>										
	16.007	\$1,486,473										
	97.004											

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**Military Department (MIL)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	57	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Military Department was reimbursed for unallowable charges for the National Guard Military Operations and Maintenance Projects Program.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">12.401</td> <td style="text-align: center;">\$24,939</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Department will not make another payment on an existing contract or execute another contract with a government entity for payment with CFDA 12.401 funding in the future that allows the ability to apply an indirect rate without first consulting with the National Guard Bureau (NGB).</p> <p>All missing receipts have been located. Refunds for excessive travel reimbursements have been received from employees, and returned to NGB. Mandatory travel training is currently being provided to all staff in the program area where the travel concerns originated. More diligence will be given to travel voucher review. The Department is phasing implementation of the Office of Financial Management (OFM) Travel Voucher System (TVS).</p> <p>June 30, 2006</p>		<u>CFDA #</u>	<u>Amount</u>		12.401	\$24,939
	<u>CFDA #</u>	<u>Amount</u>							
	12.401	\$24,939							

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**Department of Ecology (ECY)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
05	58	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Ecology is not complying with subrecipient monitoring requirements for the Clean Water State Revolving Loan Funds Program.</p> <table border="0" data-bbox="607 737 906 793"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">66.458</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action complete.</p> <p>The Department of Ecology’s Deputy Director, Chief Financial Officer, Fiscal Manager and Senior Financial Advisor met with Water Quality (WQ) Program Management Team members on April 5, 2006, to discuss the audit finding, the corrective action plan, and to emphasize the need to implement improvements in the subrecipient monitoring process in the regional offices in addition to the headquarters office.</p> <p>The active workload spreadsheet used by staff in the WQ Program has been updated to handle dates and time frames for projects identified for increased oversight. (Completed April 14, 2006)</p> <p>WQ Program staff have developed new project tracking forms for progress reports and payment requests that will be kept in each project file. The Payment Request Tracking Form includes the reason/determination for increased oversight, effective dates, payment request processing dates, check boxes for meeting requirements, and the method in which the WQ Financial Manager verified costs. The Progress Report Tracking Form provides detail on progress reports received or not received and site visit dates and documentation. These forms will continue to be updated as needed. (Completed April 14, 2006)</p> <p>April 14, 2006</p>		<u>CFDA #</u>	<u>Amount</u>		66.458	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	66.458	\$0							

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**Programs within the Departments of Social and Health Services (DSHS), Community, Trade and Economic Development (CTED), Military (MIL), Health (DOH), and Veterans' Affairs (DVA)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
05	59	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The State of Washington is not complying with federal requirements for time and effort reporting for some of the programs it administers.</p> <p><b><u>Department of Social and Health Services</u></b></p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>16.523</td> <td>\$24,849</td> </tr> <tr> <td>84.126</td> <td>\$101,618</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Division of Vocational Rehabilitation (DVR) partially concurs with this finding.</p> <p>When DVR first received this finding for Fiscal Year 2003, a corrective action plan was immediately developed and implemented. In addition, the Department's Accounting Policy Management Board issued Fiscal Policy 50.01, Federal Compliance With Time Allocation/Certification, on July 1, 2004. Policy 50.01 states 'For P4s (positions) split between multiple programs, the program that owns the P4 shall complete the certification.'</p> <p>The ten positions charged to DVR during Fiscal Year 2005 were positions that did not belong to DVR. At the current time three of the ten individuals have left the agency, two are no longer charged to DVR, and the Office of Accounting Services (OAS) confirms that the required Semi-Annual Certifications are on file for the remaining five staff for the period April 2005-September 2005.</p> <p>DVR will establish additional steps to monitor positions partially coded to their program and OAS will work with the other administrations to raise awareness of the policy requirements for split-coded positions. In addition, OAS submitted Fiscal Policy 50.01 with the associated Semi-Annual Certification form to the federal Health and Human Services' Division of Cost Allocation as an amendment to the Department's cost allocation plan on May 5, 2006.</p> <p>May 5, 2006</p>	<u>CFDA #</u>	<u>Amount</u>	16.523	\$24,849	84.126	\$101,618
<u>CFDA #</u>	<u>Amount</u>								
16.523	\$24,849								
84.126	\$101,618								

**State of Washington  
Corrective Action Plan**

*OMB Circular A-133 Audit  
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June 30, 2005*

(This plan only addresses findings reportable under the revised OMB Circular A-133.)

**Programs within the Departments of Social and Health Services (DSHS), Community, Trade and Economic Development (CTED), Military (MIL), Health (DOH), and Veterans' Affairs (DVA)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
05	59 (Cont'd)	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The State of Washington is not complying with federal requirements for time and effort reporting for some of the programs it administers.</p> <p><b><u>Department of Community, Trade and Economic Development</u></b></p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.568</td> <td>\$16,843</td> </tr> </table> <p>Corrective action complete.</p> <p>Immediately upon being notified of this issue, CTED:</p> <p>1) Re-focused resources to implement tighter controls over the review and approval of journal voucher entries, and</p> <p>2) identified procedures to ensure all corrections of salaries and benefits include the necessary corrections to employee timesheets.</p> <p>December 31, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.568	\$16,843
<u>CFDA #</u>	<u>Amount</u>						
93.568	\$16,843						

**State of Washington  
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**Programs within the Departments of Social and Health Services (DSHS), Community, Trade and Economic Development (CTED), Military (MIL), Health (DOH), and Veterans' Affairs (DVA)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
05	59 (Cont'd)	<p>Finding:</p> <p>Questioned</p> <p>Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The State of Washington is not complying with federal requirements for time and effort reporting for some of the programs it administers.</p> <p><b><u>Military Department</u></b></p> <table border="0"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>12.401</td> <td>\$217,630</td> </tr> <tr> <td>16.007, 97.004</td> <td>\$353,000</td> </tr> </tbody> </table> <p>Corrective action in progress.</p> <p>The Department's Time and Effort Policy and Procedures will be corrected and reissued by May 31, 2005.</p> <p>All employees who are incorrectly using certificates will be required to submit time sheets recording actual time starting April 1, 2006.</p> <p>Certificates for employees who are only charged to a single federal grant will be requested and completed in a timely manner.</p> <p>The action items related to this audit finding will be reviewed and reported on as a part of the Department's Government Management Accountability and Performance (GMAP) quarterly meetings.</p> <p>Estimated, July 31, 2006</p>	<u>CFDA #</u>	<u>Amount</u>	12.401	\$217,630	16.007, 97.004	\$353,000
<u>CFDA #</u>	<u>Amount</u>								
12.401	\$217,630								
16.007, 97.004	\$353,000								

**State of Washington  
Corrective Action Plan**

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**Programs within the Departments of Social and Health Services (DSHS), Community, Trade and Economic Development (CTED), Military (MIL), Health (DOH), and Veterans' Affairs (DVA)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
05	59 (Cont'd)	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The State of Washington is not complying with federal requirements for time and effort reporting for some of the programs it administers.</p> <p><b><u>Department of Health</u></b></p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>10.557</td> <td>\$0</td> </tr> <tr> <td>93.268</td> <td></td> </tr> <tr> <td>93.283</td> <td></td> </tr> </table> <p>Corrective action in progress.</p> <p>The Department has informed the relevant agency program managers of the necessity of completing quarterly certifications for those employees whose salary expenditures are charged against federal grants.</p> <p>The Department's internal auditor will follow up with a review of payroll files to ensure that these certifications are being completed.</p> <p>The Department will perform a review of the payroll files by June 30, 2006 and will advise program managers of the need for any necessary updating of certifications.</p> <p>Estimated, June 30, 2006</p>	<u>CFDA #</u>	<u>Amount</u>	10.557	\$0	93.268		93.283	
<u>CFDA #</u>	<u>Amount</u>										
10.557	\$0										
93.268											
93.283											

**State of Washington  
Corrective Action Plan**

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**Programs within the Departments of Social and Health Services (DSHS), Community, Trade and Economic Development (CTED), Military (MIL), Health (DOH), and Veterans' Affairs (DVA)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
05	59 (Cont'd)	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The State of Washington is not complying with federal requirements for time and effort reporting for some of the programs it administers.</p> <p><b><u>Department of Veterans' Affairs</u></b></p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>64.005</td> <td>\$0</td> </tr> </table> <p>Corrective action complete.</p> <p>While personnel charges were included as administrative costs in the project budget approved by the grantor, they were not listed as specific line items with a schedule driven spending plan. It is also noted that total charges to the grant did not exceed the approved budget totals and are supported by calendar records.</p> <p>DVA implemented an agency administrative procedure to ensure documentation of time and effort charged to any future federal grants complies with the accounting requirements specified in OMB Circular A. 87, Attachment B 8. h. (5).</p> <p>April 24, 2006</p>	<u>CFDA #</u>	<u>Amount</u>	64.005	\$0
<u>CFDA #</u>	<u>Amount</u>						
64.005	\$0						



**State of Washington  
Summary Schedule of Prior Audit Findings  
For Years Prior to Fiscal Year 2005**

***OMB Circular A-133 Audit  
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04-05	Department of Social and Health Services	93.778	I – 14
04-06*	Department of Social and Health Services	93.778	n/a
04-07*	Department of Social and Health Services / Health Care Authority	93.778	n/a
04-08	Department of Social and Health Services	93.778	I – 16
04-09*	Department of Social and Health Services	93.778	n/a
04-10*	Department of Social and Health Services	93.778	n/a
04-11	Department of Social and Health Services	93.778	I – 17
04-12	Department of Social and Health Services / Department of Health	93.778	I – 19
04-13	Department of Social and Health Services	93.778	I – 20
04-14	Department of Social and Health Services	93.778	I – 22
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04-16*	Department of Social and Health Services	93.778	n/a
04-17*	Department of Social and Health Services	93.778	n/a
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\* Completion of corrective action plan was reflected in FY 04 Corrective Action Plan. Listed per requirement of Circular A-133 § \_\_.315 (b)(1).

\*\* The 2004 Corrective Action Plan indicated action complete, since then DSHS has initiated alternative corrective action outlined on Page I-10.

**State of Washington  
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\* Completion of corrective action plan was reflected in FY 04 Corrective Action Plan. Listed per requirement of Circular A-133 § \_\_.315 (b)(1).

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04-42*	Department of Social and Health Services	93.558	n/a
04-43*	Department of Social and Health Services	16.523	n/a
04-44	Department of Social and Health Services	93.958	I – 55
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\* Completion of corrective action plan was reflected in FY 04 Corrective Action Plan. Listed per requirement of Circular A-133 § \_\_.315 (b)(1).

\*\*\* This finding relates to a compliance issue that occurred in state fiscal year 2001. CFDA 17.255 was the applicable catalog number at that time.

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03-19	Department of Social and Health Services	93.558	I – 76
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**Department of Social and Health Services (DSHS) / Health Care Authority (HCA)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
04	01	<p>Finding: The Department of Social and Health Services and the Health Care Authority did not provide the State Auditor’s Office with records and resources needed to audit the Medicaid Program in a timely manner as required by Government Auditing Standards and federal regulations.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778                      <u>Amount</u> Not specified due to disclaimer of entire program.</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: <u>DSHS Comments</u> The DSHS has taken several steps to ensure a more productive working relationship with the State Auditor’s Office (SAO) in which requests for data are responded to in a timely manner and SAO auditors have required access to DSHS staff. Those steps include:</p> <ul style="list-style-type: none"> <li>• Senior management from the DSHS, SAO and the Office of Financial Management (OFM), (acting grantee for the statewide single audit) now attend monthly update meetings to immediately resolve issues identified by either agency.</li> <li>• Entrance conferences have been scheduled to provide an overview of the SAO work, clarify points of contact, and establish working protocols for data collection and access to DSHS staff.</li> <li>• DSHS has established and identified administration liaisons through which SAO can communicate, on a day-to-day basis, requests for data, scheduling access to staff, and/or arranging on-site visits, as needed. A second tier contact in the DSHS Office of Operations Review exists for issue resolution by either party. DSHS liaisons and the Office of Operations Review staff’s role are to ensure open and transparent access to the organization.</li> <li>• Employees are instructed to respond with SAO staff requests for data in a timely manner; be available to explain Department records, documents, and reports to the auditors; and interact with SAO staff in a professional manner.</li> </ul>

**State of Washington  
 Summary Schedule of Prior Audit Findings  
 For Years Prior to Fiscal Year 2005**

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**Department of Social and Health Services (DSHS) / Health Care Authority (HCA)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	01	<p>Corrective Action: <u>HCA Comments</u>            The HCA supplied the records the SAO requested. HCA had no way of knowing what HCA data the SAO had requested of DSHS for audit purposes and therefore was not in a position to determine if the records requested and provided would meet the auditor's needs.</p> <p>The HCA has noted improved communications with the SAO and is hopeful the communications breakdown which occurred in Fiscal Year 2004, will not be repeated in the future.</p> <p>Completion Date: Ongoing</p>

**State of Washington  
Summary Schedule of Prior Audit Findings  
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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	02	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration, did not provide the State Auditor’s Office sufficient, reliable and timely records for our audit to determine if payments through the <i>Medicaid Management Information System</i> are made only for services provided before a client’s date of death.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="665 840 998 903"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$2,335,216</td> </tr> </table> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The Department disagrees with the specific finding above and believes it made adequate efforts to provide timely access to accurate data/information, and to assist SAO by performing Social Security Number (SSN) verifications as requested. However, the Department also recognizes that poor communication and misunderstandings were contributing factors to this finding.</p> <p>The Department has committed to improve its working relationship with SAO throughout the coming audit year and to resolve any discrepancies or complaints as they occur. In the 2005 audit, the auditors have been given access to the Medicaid Management Information System (MMIS) system and the Department of Health (DOH) death database.</p> <p>The Department is also working to correct any weakness or inaccuracy in the process used to verify SSNs in the Automated Client Eligibility System (ACES). The Department convened a workgroup to review options to enhance established procedures related to verification of SSN in ACES. This group is ongoing.</p> <p>A review of the automated SSN verification of ACES entry was completed on February 4, 2005. In addition, the Department has enhanced procedures, including modifying the interface with the federal database to update nightly, and updating income and Medicare eligibility daily.</p> <p>The State Online Query (SOLQ) user interface is being modified to make it easier for staff to do multiple queries without exiting the system. This change has been developed and is scheduled for implementation in April 2006.</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$2,335,216
<u>CFDA #</u>	<u>Amount</u>					
93.778	\$2,335,216					

**State of Washington  
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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	02 (Cont'd)	<p>Corrective Action:</p> <p>ACES will continue to be the system that maintains data on dates of death and SSNs. MMIS will accept ACES data; the focus of DSHS' efforts will be to ensure that ACES data is correct. Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration) and Economic Services Administration (ESA) have partnered on a data analysis initiative to verify how SSNs are utilized in ACES and MMIS and assure that Medicaid clients are identified with the appropriate SSN. This was initiated in July 2005.</p> <ul style="list-style-type: none"> <li>• In September 2005, using DOH death data, HRSA began identifying any clients with an MMIS SSN appearing in the DOH death data file. HRSA researches clients in ACES and SOLQ to determine reasons why the SSN was utilized;</li> <li>• ESA develops and implements corrective action as appropriate.</li> <li>• The process is repeated with each quarterly DOH death data update to assure that the MMIS client file does not contain a SSN of a deceased individual.</li> </ul> <p>Economic Services Administration will update the client application to notify potential enrollees of the new state statute related to false identification.</p> <p>In cases where the client is deceased, the Department will:</p> <ol style="list-style-type: none"> <li>1. Continue post-pay review (PRP) utilizing quarterly DOH death data. Identify and recoup appropriate claims, and enter accurate death dates into the MMIS;</li> <li>2. Partner with DOH in their efforts to develop an on-line interface to DOH death data. DOH piloted the interface in Pierce and Spokane Counties. Once the county on-line interface is complete, DOH will implement a statewide interface for the Department. DOH has indicated that their on-line application may not be available for several years. The lag in DOH receipt of death data will require PRP to continue; and</li> <li>3. Partner with DOH for implementation of an automated DOH interface to the new MMIS. This is scheduled for implementation once the new MMIS is in place, in June 2007. Even with this automated interface, post payment review will continue.</li> </ol> <p>(Continued)</p>

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	02 (Cont'd)	<p>Corrective Action:</p> <p>The Department disagrees with stated questioned costs. As the Department identifies claims paid after a client's death, overpayment notices are sent to providers, the claim is returned to the Department and the federal portion is refunded.</p> <p>Paid pharmacy claims data (7/1/02 – 12/31/02) was delivered to the Centers for Medicare and Medicaid Services (CMS) in June 2005. This was the same data delivered to SAO for the 2003 Audit. In addition, DSHS delivered Department of Health Death Data to CMS: CMS identified some SSNs from the DOH Death Data as belonging to deceased individuals.</p> <p>DSHS completed an analysis of the CMS review and identified:</p> <ol style="list-style-type: none"> <li>1. Valid SSNs and services/claims paid after the Date of Death. Overpayments are referenced on the 2/15/06 CMS 64 as associated with this Audit and will be recouped from providers. The post-payment algorithm was enhanced as a result of this review, to assure that these claims are identified in the regular post-payment review process;</li> <li>2. Incorrect SSNs that were corrected and clients that were verified as not deceased. CMS agreed that these claims were paid correctly;</li> <li>3. Claims where the SSN belonged to the deceased relative of the client. Individuals may receive SSA benefits based on a relative's benefits – the SSN is incorrectly interfaced to MMIS but CMS agreed that, upon verification of the identity of the client, claims were correctly paid. A joint ESA/HRSA Workgroup has been initiated to identify specific actions that can be taken to correct these errors.</li> </ol> <p>Completion Date: Estimated, June 2007</p>

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	03	<p>Finding: The Department of Social and Health Services paid providers with Medicaid funds through the Social Services Payment System for services provided to clients using Social Security numbers belonging to deceased persons.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$815,953.</td> </tr> </table></p> <p>Status: Corrective action complete.</p> <p>Corrective Action: Social Security Number (SSN) verification for Medicaid clients occurs in the Medicaid eligibility system, the Automated Client Eligibility System (ACES); not in the Social Services Payment System (SSPS), which is a vendor payment system. The ACES eligibility system is an appropriate source from which to sample client/case identifiers to be matched to payment records in SSPS.</p> <p>Washington Administrative Code (WAC 388-476-0005) defines the Department’s current SSN requirements for medical eligibility, and can be found in the DSHS A-Z Manual at <a href="http://www1.dshs.wa.gov/esa/EAZManual/Sections/SSN.htm">http://www1.dshs.wa.gov/esa/EAZManual/Sections/SSN.htm</a>. Section 3 states “Assistance will not be delayed, denied or terminated pending the issuance of a SSN by the Social Security Administration (SSA). However, a person who does not comply with these requirements is not eligible for assistance”</p> <p>Verification procedures are described under the section titled “Clarifying Information.” SSN’s are automatically verified through a cross-match with the SSA Numident file, once the data is entered in ACES. Section 3 under “Clarifying Information” states “If a current and valid SSN is not available, the department is responsible to assist a client in making an application for a SSN.”</p> <p>SSN discrepancies identified in the cross-match process with the Numident file generate alerts to the workers as described in the ACES User Manual at <a href="http://www1.dshs.wa.gov/esa/acesman/Sections/alerts/alert_188.htm">http://www1.dshs.wa.gov/esa/acesman/Sections/alerts/alert_188.htm</a>. Alert _253 describes alerts to workers when there is a SSN discrepancy in State Data Exchange (SDX), Beneficiary Data Exchange System (BENDEX) or Numident.</p> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$815,953.
<u>CFDA #</u>	<u>Amount</u>					
93.778	\$815,953.					

**State of Washington  
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(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

***OMB Circular A-133 Audit  
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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	03 (Cont'd)	<p>Corrective Action:</p> <p>When the Home and Community Services Quality Assurance Unit reviews client files to confirm financial eligibility, they check to see that the SSN recorded in SSPS is the same as the SSN recorded in ACES. They report discrepancies, using ACES as the correct record of the SSN.</p> <p>Existing field procedures described above are sufficient to identify the rare instances where someone is trying to receive a service intended for a deceased client.</p> <p>On June 2, 2005, the Aging and Disability Services Administration (ADSA) issued a management bulletin to all staff with a copy of RCW 9.35.02. The statute defines identity theft in the first degree, and the management bulletin instructed staff on reporting instances of apparent identity theft to the Division of Fraud Investigations.</p> <p>ADSA participates in the Payment Review Program process and the development and implementation of algorithms designed to capture payments made for services after death. These algorithms are re-run quarterly and findings referred to the Office of Financial Recovery or the Medicaid Fraud Control Unit for recovery action.</p> <p>ADSA has reviewed all cases identified by the auditors and referred any identity theft cases to the Division of Fraud Investigations for eventual referral to appropriate legal authorities. As of June 2005, all reviews of cases were completed, discrepancies resolved, and no cases of identity theft were found.</p> <p>The eligibility and verification requirements and procedures identified above meet U.S Department of Health and Human Services (HHS) requirements for Medicaid eligibility.</p> <p>The Department will work with HHS if any unallowable costs are identified.</p> <p>Completion Date: June 30, 2005</p>

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	04	<p>Finding: The Department of Social and Health Services paid providers with Medicaid funds through the <i>Social Services Payment System</i> for services performed after the date of death.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$36,827</td> </tr> </table></p> <p>Status: Corrective action complete.</p> <p>Corrective Action: Social Security Number (SSN) verification for Medicaid clients occurs in the Medicaid eligibility system, the Automated Client Eligibility System (ACES); not in the Social Services Payment System (SSPS), which is a vendor payment system. The ACES eligibility system is an appropriate source from which to sample client/case identifiers to be matched to payment records in SSPS.</p> <p>The Department receives notice of a client's death through its ACES nightly Social Security Administration interfaces with the State Data Exchange (SDX) and the Beneficiary Data Exchange (BENDEX). The BENDEX interface with ACES provides an alert to staff that shows they are deleting the client file due to death.</p> <p>The SDX interface with ACES provides an alert to staff that gives the date of death. The alert is described in the ACES User Manual at: <a href="http://www1.dshs.wa.gov/esa/acesman/Sections/alerts/alert_253.htm">http://www1.dshs.wa.gov/esa/acesman/Sections/alerts/alert_253.htm</a>.</p> <p>The Aging and Disability Services Administration (ADSA) has access to Department of Health (DOH) online information on certificates of death. ADSA followed up with ACES to determine the feasibility of establishing a DOH interface. DOH data is available on compact disk, and is a minimum of four months old. DOH piloted an on-line interface in Pierce and Spokane Counties. Once the county on-line interface is complete, DOH will implement a statewide interface for the Department. DOH has indicated that their on-line application may not be available for several years. When the DOH interface is completed, the Health &amp; Recovery Services Administration will write an ACES interface to have the update included in ACES.</p> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$36,827
<u>CFDA #</u>	<u>Amount</u>					
93.778	\$36,827					

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	04 (Cont'd)	<p>Corrective Action: ADSA funds and actively participates in the department's Payment Review Program (PRP) process and the development and implementation of algorithms designed to capture payments made for services after death. This algorithm is re-run quarterly and findings referred to the Office of Financial Recovery or the Medicaid Fraud Control Unit for recovery. The PRP was provided with the entire list of cases identified by the auditor. The PRP staff completed their review in April 2005 with no additional refinements to the algorithm.</p> <p>Completion Date: August 31, 2005</p>

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	05	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration, did not provide the State Auditor’s Office reliable, timely records for our audit of services provided to undocumented aliens.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$5,551,377</td> </tr> </table></p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The Department disagrees with the finding believing that it delivered reliable, timely records for the audit. The Department also feels that system issues and the complexity of federal laws related to undocumented aliens were the primary sources of the problems encountered by the auditors.</p> <p>The Department is committed to repairing past misunderstandings and miscommunications by proactively making sure that complaints and disputes are resolved quickly and effectively when they occur during current and future audits.</p> <p>On December 15, 2004, the Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration) instituted a transitional policy to review federal rules governing services for undocumented aliens for clarity and to re-examine the Department’s past interpretation of these rules. Earlier, in May 2004, HRSA had established workgroups to research policies in other states and to recommend changes in Washington procedures by the end of 2005.</p> <p>On May 17, 2005, a new policy regarding providing services under the Alien Emergency Program (AEM) was proposed to HRSA leadership. The policy limits coverage to certain diagnoses and services and requires that any service provided be causally related to the emergency condition allowing coverage. Prior authorization of services was proposed to ensure compliance with the policy. The policy was finalized in December 2005.</p> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$5,551,377
<u>CFDA #</u>	<u>Amount</u>					
93.778	\$5,551,377					

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	05 (Cont'd)	<p>Corrective Action: The Department is procuring a new Medicaid Management Information System (MMIS), scheduled for June 2007 that will assist it in resolving issues with receiving and verifying data. The new MMIS will allow the Department to track Social Security numbers more timely and accurately, it will lessen reliance on manually produced data, and it will strengthen the tie between MMIS and the Automated Client Eligibility System.</p> <p>The Centers for Medicare and Medicaid Services (CMS) notified DSHS in May 2005 that the last three quarters of alien emergency medical payments would be deferred until the payments were justified by the state. DSHS has submitted documentation to CMS of the AEM payments that conform to the new policy in place.</p> <p>Completion Date: Estimated, June 2007</p>

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	08	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration, did not provide the State Auditor’s Office with reliable, timely records for our audit of Proshare services.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="665 777 1006 840"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$38,206,440</td> </tr> </table> <p>Status: The original 2004 Corrective Action Plan reported no action to be taken. Subsequently in 2005, DSHS initiated corrective action described below. The latest corrective action remains in progress.</p> <p>Corrective Action: The Department disagrees with this finding. The Department believes that it did provide all requested information, although it agrees that the program was not well documented in the Medicaid State Plan. It is important to note that the ProShare Inter-governmental Transfer program was phased out pursuant to an agreement between Washington State and the federal Department of Human and Health Services as of June 30, 2005. Authorization of the program phase-out was confirmed with the Centers for Medicare and Medicaid Services (CMS) staff during the audit.</p> <p>A new Upper Payment Limit program replaced the old Proshare program in 2005. The new program allows for payments to public hospitals with nursing homes, not to exceed to the facilities’ costs, matched with certified public expenditures. The new program will be placed into the Medicaid State Plan. The Aging and Disability Services Administration submitted a State Plan Amendment to CMS on July 25, 2005, that includes the new Upper Payment Limit program for public nursing homes.</p> <p>Following review of the proposed amendment, CMS sent additional questions to the Department with a response date of January 16, 2006. Once DSHS provides its response, CMS will then have an additional 90 days to issue its decision on the State Plan Amendment.</p> <p>Status of questioned costs remains to be determined.</p> <p>Completion Date: Estimated, April 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$38,206,440
<u>CFDA #</u>	<u>Amount</u>					
93.778	\$38,206,440					

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>						
04	11	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration, is not complying with federal regulations that require people receiving Medicaid payments to have valid Social Security numbers.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="488 783 1006 842"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$11,002,039</td> </tr> </table> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The Department does not agree that Social Security numbers (SSN) are required for every record in the Medical Management Information System (MMIS). Washington Administrative Code 388-476-0005 outlines SSN requirements for cash, medical and food assistance benefits. It should be noted that there are exceptions to the SSN requirement, including alien emergency programs, refugee assistance and detoxification services.</p> <p>The Department is addressing previously identified deficiencies and is working to improve SSN accuracy within MMIS. In response to the 2003 finding, the Department convened a workgroup to review options for enhancing established procedures related to verification of SSN in the Automated Client Eligibility System (ACES). A modification was made to the ACES-Federal interface in April 2005 to use State Data Exchange/Wire Third Party Query (WTPY) for SSN verification on a nightly basis.</p> <p>A cross-agency workgroup was established in November 2004 to review and assess interface issues, provide recommendations, and work with the new vendor of the new MMIS to develop a new ACES/MMIS interface. The workgroup will continue to meet regularly until the new MMIS is implemented in June 2007.</p> <p>(Continued)</p>		<u>CFDA #</u>	<u>Amount</u>		93.778	\$11,002,039
	<u>CFDA #</u>	<u>Amount</u>						
	93.778	\$11,002,039						

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	11 (Cont'd)	<p>Corrective Action: The Department's Operations Review and Consultation (ORC) unit conducted a study on the use of SSNs at the request of the Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration), the Economic Services Administration (ESA) and the Aging and Disability Services Administration (ADSA). ORC documented criteria for the use of SSNs in determining eligibility for the Department of Social &amp; Health Services programs. In addition, ORC provided a narrative and flow chart describing how SSNs are used in these programs once eligibility has been determined. The report was completed in November 2005. This was the initial step toward developing a comprehensive agency approach to the SSN issue.</p> <p>Completion Date: Estimated, June 2007</p>

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**Department of Social and Health Services (DSHS) / Department of Health (DOH)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	12	<p>Finding: The Department of Health and the Department of Social and Health Services, Medical Assistance Administration, are not complying with state law or the provisions of the Medicaid State Plan that help to ensure compliance with health and safety standards for hospitals.</p> <p>Questioned Costs:</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>N/A</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: <u>DSHS Comments</u>  The DSHS disagrees with the timing of this finding. The DSHS filed an amendment to the state plan with the Center for Medicare and Medicaid Services, which was approved November 1, 2004, and made effective retroactive to July 2004. The amendment was effective prior to the completion of the fieldwork for the FY04 Federal Single Audit.</p> <p>The DSHS worked with the Department of Health to update the current Memorandum of Understanding (MOU) to include all provisions required by law. The MOU was completed December 1, 2005.</p> <p><u>DOH Comments</u>  The DOH successfully sought new state legislation regarding hospital inspections. HB 1533 passed the Legislature April 18, 2005 and was signed by Governor Gregoire on May 13, 2005. The bill became effective July 24, 2005. The bill states "The department shall make or cause to be made an inspection of hospitals on average at least every eighteen months." This change will enable the DOH to complete hospital inspections within the required time frames.</p> <p>The DOH collaborated with the DSHS to update and clarify the current memorandum of understanding (MOU) to include all provisions required by law. In conjunction with this effort, the DOH updated its survey documentation to ensure that it meets federal requirements. This process was completed in December 2005.</p> <p>Completion Date: December 30, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	N/A
<u>CFDA #</u>	<u>Amount</u>					
93.778	N/A					

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	13	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration does not ensure that providers of motorized wheelchairs have the documentation required to substantiate claims for payment.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="488 783 964 842"> <tr> <td style="padding-right: 40px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$57,641</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Department disagrees with this finding.</p> <p>Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration) currently reviews Medicaid-only requests for wheelchairs through a prior authorization process, and files are kept at HRSA headquarters. Since these claims were paid as a Medicare crossover, the Department feels that the suppliers met their documentation and billing requirements as defined by Medicare as a primary payer and Medicaid as a secondary payer. There is no length-of-need requirement in federal guidelines. The eligibility requirements cited by the auditor, with regard to length-of-need, are self-imposed rules of the Washington Administrative Code, not federal rules.</p> <p>The auditor appears to be recommending a prior authorization or post-pay process be developed for dual-eligible clients as well as Medicaid-only clients. Given limited post pay review resources, the Department has assessed whether the cost of this prior authorization activity would be offset by the benefit. Due to the low total reimbursement and low per claim reimbursement for automatic wheelchair crossover claims, the Department has determined that post pay review is not cost beneficial.</p> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$57,641
<u>CFDA #</u>	<u>Amount</u>					
93.778	\$57,641					

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
04	13 (Cont'd)	Corrective Action:	The Department amended the rule governing payment of claims for wheelchairs for enrollees who are also eligible for Medicare to reflect the dependence on Medicare claims review, effective December 1, 2005.
		Completion Date:	December 1, 2005

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	14	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration does not perform adequate reviews of providers of durable medical equipment to ensure the providers exist, are properly licensed, and have submitted accurate information.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>N/A</td> </tr> </table></p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The Department believes exit policies and procedures in its reviews of providers are sufficient to ensure adequate provider verification. Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration) currently verifies business licenses and tax identification numbers and runs the names of these providers against a national provider fraud database. To strengthen the review of ongoing provider validity, the Department is working with investigative staff in the agency to leverage existing resources for site visits and on-site reviews of providers. (See below)</p> <p>The Department is procuring a new Medicaid Management Information System (MMIS) that will have the ability to verify both business and professional licenses and identify expired business licenses. Implementation of the new MMIS is scheduled in June 2007.</p> <p>The Department partnered with the Department of Health to develop a verification system that can check providers' site locations and phone numbers through a reverse directory search. This research, including cost estimates and justification for the new system, was completed in June 2005. The Department found it not cost effective to develop the verification system. Instead, the Attorney General's Medicaid Fraud Control Unit and the Department's Division of Fraud Investigations conduct site reviews when in the field.</p> <p>The Department also explored a system for ongoing review and confirmation of provider licenses with the Department of Revenue. The system development was determined to be ineffective when cost of development was compared to cost reductions.</p> <p>Completion Date: Estimated, June 2007</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	N/A
<u>CFDA #</u>	<u>Amount</u>					
93.778	N/A					

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	18	<p>Finding: The Department of Social and Health Services, Health and Rehabilitative Services Administration is not in compliance with the federal Medicaid requirements for reporting on adult victims of residential abuse.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: top;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>N/A</td> </tr> </table></p> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Health and Rehabilitative Services Administration (HRSA) is composed of three major divisions. Two of the divisions, the Division of Alcohol and Substance Abuse (DASA) and the Mental Health Division (MHD) were involved in this finding.</p> <p>The DASA revised its own internal policies on reporting of information received by DASA regarding the abuse, neglect, or financial exploitation of a Medicaid client (to appropriate organizations including the Medicaid Fraud Control Unit (MFCU) within the Attorney General's Office). DASA's revision expanded and clarified issues in the area of patient confidentiality to meet federal requirements. (June 2005)</p> <p>The MHD revised policy and initiated and implemented policies and procedures supporting the DSHS agency wide policy. Western State Hospital and Eastern State Hospital included a statement in their patient abuse policies that the MFCU will be notified of any patient abuse, neglect, and/or financial exploitation. (October 2005) Employees of both institutions were provided training on the implementation of the revised policies.</p> <p>Completion Date: October 31, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	N/A
<u>CFDA #</u>	<u>Amount</u>					
93.778	N/A					

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	20	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration has not established sufficient internal controls to ensure that rates paid to its Healthy Options managed care providers are based on accurate data.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="667 814 964 869"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>N/A</td> </tr> </table> <p>Status: Corrective action in progress.</p> <p>Corrective Action: <u>The auditor found that the Department does not monitor fee-for-service data to ensure that the data is correct, that up-coding is not present, and that the fee-for-service costs compare to managed care costs.</u>  The Department disagrees with this finding, since fee-for-service data is not used to calculate managed care rates and fee-for-service expenditures cannot be compared to managed care costs due to the differences in the managed care versus fee-for-service populations.</p> <p>The auditor recommended that the Department provide regular reports to the federal funding agency documenting improvements to the rate setting process. The Department considered itself in compliance with the Centers for Medicare and Medicaid Services (CMS) regulations requiring progress reports. The Department is monitoring managed care plans to ensure that procedures are in place to monitor provider encounter reporting.</p> <p><u>The auditor found that the Department did not submit progress reports to the federal funding agency documenting its efforts to improve data quality.</u>  In August 2004, the Department submitted the proposed Healthy Options rate setting process to CMS for approval.</p> <p>On April 4, 2005, CMS responded to the proposed rate setting process indicating that the rate setting process was acceptable for actuarial soundness requirements, but failed to comply with federal regulations regarding encounter data reporting. CMS asked DSHS to submit an encounter data improvement plan by May 15.</p> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	N/A
<u>CFDA #</u>	<u>Amount</u>					
93.778	N/A					

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	20 (Cont'd)	<p>Corrective Action: The Department submitted the additional information to CMS on May 18, 2005. Subsequently, Department officials met with CMS and reached an agreement to consider the improvement plan in two parts:</p> <p>(1) <u>Setting of actuarially sound rates</u>            CMS agreed in principle that the proposed rate setting modification met the intent of 42 CFR 438. Healthy Options rates for 2006 were approved in November 2005 by CMS.</p> <p>(2) <u>Encounter data improvement.</u>            Discussions with CMS led to an agreed upon encounter data improvement plan. DSHS began implementation of the plan in October 2005 and completed improvements in December 2005.</p> <p>Use of actual cost data for rate setting will be implemented with the new Medicaid Management Information System in June 2007.</p> <p>Completion Date: Estimated, June 2007</p>

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
04	21	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration, is not complying with federal requirements to report Medicaid expenditures properly.</p> <p>Questioned Costs: <u>CFDA #</u>                      <u>Amount</u> 93.778                                      N/A</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The Department disagrees with this finding as applied to 2004. As a result of an audit finding from SFY 2003, the Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration) reported expenditures for undocumented aliens on the Center for Medicare and Medicaid Services (CMS) 64 report, effective April 1, 2004. The State Fiscal Year 2004 audit should reflect all activities from July 1, 2003, through June 30, 2004. On at least two separate occasions, HRSA advised the auditor that it had established appropriate coding to report this line item effective April 2004.</p> <p>The Department has contracted with a vendor to develop a new Medicaid Management Information System to dramatically enhance the processing of Medicaid transactions. This new system will specifically address the agency's ability to distinguish between emergency services and non-emergency services. This ability and the use of a functional medical eligibility code will allow the system to automatically assign account coding that will identify the expenditure as alien emergency medical (AEM). Implementation is expected by June 2007.</p> <p>In the interim, the Department has set up, effective June 18, 2004, specific account coding in the Agency Financial Reporting System (H1188) to be used for AEM expenditures and currently uses this coding to report these expenditures on line 27 of the CMS-64 Form, which is filed quarterly.</p> <p>(Continued)</p>

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
04	21 (Cont'd)	Corrective Action:	Currently HRSA runs a query on a quarterly basis of the Automated Client Eligibility System to identify all clients with a medical eligibility code of "2" and sends the Office of Accounting Services an adjustment to move the expenditures associated with these clients to the coding that has been set up to identify them as AEM.
		Completion Date:	Estimated, June 2007

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	22	<p>Finding: The Department of Social and Health Services, Aging and Disability Services Administration, does not have sufficient internal controls to ensure it is complying with both subrecipient monitoring and matching requirements for the Medicaid Program.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="487 814 974 871"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>N/A</td> </tr> </table> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The Department initiated scheduling of on-site monitoring visits with all Area Agencies on Aging, starting in April 2005. Risk assessments will be completed prior to each on-site visit to determine the degree of monitoring performed. The monitoring visits will include review of all Skilled Professional Medical Personnel charges, verification that staff are working for the agency, and verification of required match for federal funds. Supporting documentation for reimbursement requests will be reviewed during the on-site monitoring visits.</p> <p>As of December 2005, 12 of the 13 AAAs received monitoring visits. Comprehensive reports have been completed and submitted to management. The last visit will be completed by March 2006.</p> <p>Completion Date: Estimated, March 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	N/A
<u>CFDA #</u>	<u>Amount</u>					
93.778	N/A					

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>						
04	23	<p>Finding: The Department of Social and Health Services, Economic Services Administration, should improve compliance with eligibility requirements for the Temporary Assistance for Needy Families Program (TANF).</p> <p>Questioned Costs:</p> <table border="0" data-bbox="487 808 974 871"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.558</td> <td style="text-align: center;">\$40,840</td> </tr> </table> <p>Status: Corrective action in progress.</p> <p>Corrective Action: Social Security numbers (SSNs) are, and will continue to be, matched and verified by searching Social Security Administration's (SSA) databases. Recent changes to the electronic interface between DSHS and SSA provide a broader search of SSA's databases. Field staff have and will continue to be trained on the improved capabilities to identify, investigate and resolve invalid numbers.</p> <p>As of February 2005, staff have been trained to ensure TANF recipients do not receive benefits from more than one assistance unit.</p> <p>The Community Services Division will continue to process overpayment recovery actions on those cases found to be in error.</p> <p>The Division of Management Resources and Services has initiated a change to the Automated Client Eligibility System that will allow staff to query the State Online Query System (SOLQ) easily at the time of determining eligibility. The programming changes are scheduled for implementation in April 2006. Staff will be trained on use of the SOLQ upgrades at that time.</p> <p>Completion Date: Estimated, April 2006</p>		<u>CFDA #</u>	<u>Amount</u>		93.558	\$40,840
	<u>CFDA #</u>	<u>Amount</u>						
	93.558	\$40,840						

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**Employment Security Department (ESD)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	24	<p data-bbox="488 611 1513 793">Finding: The Department of Employment Security paid at least \$142,847 in unemployment insurance benefits to claimants who were not eligible. The Department also overpaid and underpaid eligible claimants by \$18,873 and \$5,150, respectively. In addition, we estimated that payments totaling more than \$185,000 were made to claimants during their first week of unemployment, which is prohibited by state law.</p> <p data-bbox="488 821 964 905">Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"><tr><td style="text-align: right;"><u>CFDA #</u></td><td style="text-align: right;"><u>Amount</u></td></tr><tr><td style="text-align: right;">17.225</td><td style="text-align: right;">\$0</td></tr></table></p> <p data-bbox="488 932 964 961">Status: Corrective action complete.</p> <p data-bbox="488 995 1503 1178">Corrective Action: The Employment Security Department continues to perform extensive cross matches, data mining and other fraud prevention and detection efforts for the Unemployment Insurance (UI) program. This includes a cross match with the Social Security Administration. These processes should reduce or eliminate payments to individuals using invalid social security numbers or numbers belonging to the deceased.</p> <p data-bbox="669 1209 1503 1451">Agency staff have developed a weekly Unemployment Insurance/Labor and Industries (L&amp;I) cross match designed to immediately identify those claimants who have filed for and are receiving both UI and workers compensation benefits simultaneously. Agency staff will continue to work the system-generated report and establish procedures to eliminate overpayment and fraud activity. The agency is also working with the Department of Labor and Industries to improve coordination and communication when back pay awards of workers compensation benefits occur.</p> <p data-bbox="669 1482 1503 1602">To address issues related to proper payment of benefits to claimants receiving pensions, the agency has updated pension deduction charts with percentages to be used by each pension type. Also, additional training has been provided to staff to ensure accuracy of pension deductions.</p> <p data-bbox="669 1633 1503 1724">Agency staff has implemented programming changes to prevent the payment for a claimant's waiting week. System implementation took place April 1, 2005.</p> <p data-bbox="488 1755 802 1816">Completion Date: July 1, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	17.225	\$0
<u>CFDA #</u>	<u>Amount</u>					
17.225	\$0					

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
04	25	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Division of Child Care and Early Learning, does not have adequate internal controls over support for payments made to child care providers.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.575</td> <td>\$1,100,000</td> </tr> <tr> <td>93.596</td> <td></td> </tr> </table> <p>Corrective action in progress.</p> <p>The Department partly concurs with this finding. The Department has addressed the attendance deficiencies by making a change in Washington Administrative Code (WAC). In October 2004, the WAC was changed to require that providers have the parent or custodian sign their children in and out of care. Attendance records must include the date, child's name, time in, time out, and a certifying signature of either a parent or custodian.</p> <p>The Division of Child Care and Early Learning (DCCEL) developed a non-mandatory attendance form for providers on October 1, 2004. The form is not mandatory because the type of care and attendance needs can vary greatly from one facility to the next, a fact made very clear by the providers at the WAC amendment hearings. A single form to meet all providers' needs was determined to be unrealistic.</p> <p>The Division of Fraud Investigations reviewed ten percent of the in-home providers, in all six regions, to ensure in-home childcare is occurring in the child's home. (March 2005) Operations Review and Consultation will monitor subsidy payments to six targeted childcare centers by June 2006.</p> <p>DCCEL coordinated with the Payment Review Program to identify and collect duplicate payments through the use of algorithms. Three duplicate payment algorithms were run and overpayments notices sent to providers. (August 2005)</p> <p>Estimated, June 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$1,100,000	93.596	
<u>CFDA #</u>	<u>Amount</u>								
93.575	\$1,100,000								
93.596									

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>						
04	26	<p>Finding: The Department of Social and Health Services, Economic Services Administration wrote-off childcare overpayments to providers without adequate support and inappropriately decreased amounts owed to the Department by child care providers.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="488 814 964 871"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.575</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Status: No action taken.</p> <p>Corrective Action: The Department does not concur with this finding. An Overpayment amount can't be determined without giving the provider notice of due process.</p> <p>All providers who receive a Vendor Overpayment Notice have the right to due process that includes the right to an Administrative Hearing. Part of the pre-hearing process is the review of additional documentation. Reviewing additional attendance is standard pre-hearing practice.</p> <p>Vender Overpayment Notices are sent with a Social Services Incorrect Payment Computation sheet that lists information about the individual overpayment. Included in the information is the date of the overpayment, name of the child, and the amount of the overpayment. Providers are able to present additional attendance records when they receive an overpayment notice.</p> <p>Completion Date: N/A</p>		<u>CFDA #</u>	<u>Amount</u>		93.575	\$0
	<u>CFDA #</u>	<u>Amount</u>						
	93.575	\$0						

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>						
04	27	<p>Finding: The Department of Social and Health Services, Division of Child Care and Early Learning, does not ensure that all recovered overpayments are credited to the appropriate funding source.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="665 777 958 871"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td>Not Determined</td> <td></td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Department's Client Receivable System and cash receipting process were modified to include service, reason, source, organization index, and month of service codes for the Division of Child Care and Early Learning DCCEL client overpayments. Recoveries are posted to agency accounting records with the detail needed to extract collection reports which identify how much was initially paid with federal and state funds and the funding source the funds were returned to.</p> <p>Completion Date: September 1, 2005</p>		<u>CFDA #</u>	<u>Amount</u>	Not Determined		\$0
	<u>CFDA #</u>	<u>Amount</u>						
Not Determined		\$0						

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	28	<p>Finding: The Department of Social and Health Services, Economic Services Administration, did not properly monitor its contract with a non-profit organization that billed for services it did not provide.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="667 772 974 835"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>10.561</td> <td>\$550,000</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: <u>The Department disagrees with the questioned costs amount.</u> The contract included a 50 percent local match funded by the contractor and their subcontractors. Approximately 50 percent of the contract is funds expended by the contractor and their subcontractors without Federal or State ties.</p> <p>On October 6, 2005, the Department of Social and Health Services (DSHS) was notified of United States Department of Agriculture's (USDA) receipt of Washington's Single Audit containing the above-mentioned finding. USDA has upheld the finding while acknowledging that the actual fraudulent charges will be less than the questioned costs as determined in this finding. To that end, DSHS received a bill for collection from USDA in the amount of \$500,000. DSHS has submitted an appeal of this determination and is awaiting a decision on that appeal. In the meantime, in order to avoid the accrual of interest charges, payment of the \$500,000 has been made.</p> <p><u>Actions taken by the Department</u> Upon discovery of this allegation of fraud the department initiated a number of actions.</p> <ul style="list-style-type: none"> <li>• On December 1, 2003, the Division of Employment and Assistance Programs (DEAP) began monitoring 100% of the South Sound Outreach Services' (SSOS) claimed client contacts from December 2003 through September 2004. Each client contact was verified by phone calls to the client, a letter requesting a response from the client, or a signature statement from the client. This verification was continued for the remainder of the contract period. Completed September 30, 2004.</li> </ul> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	10.561	\$550,000
<u>CFDA #</u>	<u>Amount</u>					
10.561	\$550,000					

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	28	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• As of October 1, 2005, all Basic Food Education and Outreach contracts were being monitored to assure actual client contacts are made by requiring contractors to:               <ol style="list-style-type: none"> <li>a. Keep 100 percent back-up documentation of applications to include client identifying information and contact information. Of that documentation, a 10 percent random sample of application assistance contacts are monitored on a monthly basis.</li> <li>b. Keep 100 percent back-up documentation of intake assistance. Of that documentation, a 10 percent random sample of intake assistance contacts are monitored on a monthly basis.</li> <li>c. Not claim an application assistance contact and an intake contact in any single month for the same client.</li> </ol> </li> </ul> <p>On February 1, 2005 the fraud was referred to the county prosecuting attorney. The case remains pending.</p> <p>The Department is in the process of negotiating the amount of overpayment with the federal grantor. When complete, a request for repayment will be issued to the non-profit.</p> <p>Completion Date: October 2005</p>

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	29	<p>Finding: The Department of Social and Health Services, Children’s Administration, paid through the Social Services Payment System for services performed after a client’s date of death.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="667 783 963 842"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.659</td> <td>\$8,275</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Children’s Administration (CA) has:</p> <ul style="list-style-type: none"> <li>• Met with the Department’s Research and Data Analysis (RDA) in April 2005, to determine how to get child death information from RDA’s database. The Department of Health (DOH) interfaces with RDA’s database with lists of deaths that have occurred in Washington State.</li> <li>• Ensured that all regions and headquarters have written warrant cancellation/receipt of negotiable procedures and that appropriate staff are aware of the procedures. (April 2005)</li> </ul> <p>The Children’s Administration runs a list of child deaths from RDA’s database and compares the names to payment data from other computer systems. (April 2005) A request will be made that this function be programmed when CA gets a new computer system.</p> <p>CA staff reviewed the adoption support agreements in August 2005 and determined nothing needed to be added as the agreement states it will “...terminate upon the child’s death, or upon the death of the child’s parent(s)” and that the adoptive parent agrees to “...notify the adoption support program immediately and in writing if the child is no longer living in the home or if the parent is no longer financially responsible for the child.”</p> <p>The Division of Fraud Investigations (DFI) reviewed these payments and determined that \$14,997.64 in warrants were endorsed and cashed illegally. In addition, inappropriate Social Security Insurance payments were found and the Social Security Administration (SSA) was contacted. Initial investigation by DFI also disclosed the client was using two separate identifications. A joint investigation by DFI and the SSA was launched in May 2005. The additional investigation time delayed referral of the case for prosecution.</p> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	93.659	\$8,275
<u>CFDA #</u>	<u>Amount</u>					
93.659	\$8,275					

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	29 (Cont'd)	<p>Corrective Action: DFI investigators presented the client an overpayment notice on December 12, 2005. In January 2006, the case was submitted to the Thurston County Prosecutor.</p> <p>The federal granting authority requested the questioned costs be refunded. They were returned in January 2006.</p> <p>Completion Date: January 2006</p>

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**Office of Superintendent of Public Instruction (OSPI)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	31	<p>Finding: The Office of Superintendent of Public Instruction did not comply with state and federal requirements when contracting for services paid with federal Title I funds.</p> <p>Questioned Costs: <u>CFDA #</u> 84.010      <u>Amount</u> N/A</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Director of Agency Financial Services has instructed staff to carefully review all contracted services to ensure agency contracts are correctly classified and procured.</p> <p>The Contracts Administrator, who has the centralized responsibility for the contracting process, issued to all staff involved in contracts management both verbal directions and written instruction that included:</p> <ul style="list-style-type: none"> <li>• For the purpose of contracting, OSPI has only two clients - K-12 students and their families/parents.</li> <li>• All new contracts and any renewal of existing contracts will be classified as personal services unless they provide direct services to K-12 students and/or families/parents.</li> <li>• All contracts classified as personal service contracts will be subject to all rules and regulations of the Revised Code of Washington (RCW) 39.29 including, but not limited to, provisions for planning, open competition, filing and filing period.</li> </ul> <p>In addition, the agency immediately established a clear definition on how many hours constitutes a day. All existing affected contracts were amended to reflect this clarified definition and the involved contractors were notified of the change. For the new contracts for FY06, OSPI included the revised definition.</p> <p>All monthly payment requests for work performed, as received from the contractors, are supported by a timekeeping and accountability application as an additional control. This will ensure OSPI has received appropriate services prior to payment and prior to requests for federal reimbursement. This documentation is being collected in addition to the quarterly performance reports submitted by each contractor indicating the work completed to date.</p> <p>Completion Date: July 31, 2005</p>

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
04	32	<p>Finding: The Department of Social and Health Services, Mental Health Division, did not comply with state and federal regulations when it inappropriately paid fixed administrative expenditures in advance of services for the Community Mental Health Services Block Grant.</p> <p>Questioned Costs:</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.958</td> <td style="text-align: right;">\$72,000</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Mental Health Division developed and implemented policies and procedures, along with a mechanism for oversight, complying with state and federal regulations and precluding advance payment of administrative expenditures.</p> <p>Completion Date: August 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.958	\$72,000	
<u>CFDA #</u>	<u>Amount</u>						
93.958	\$72,000						

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	33	<p>Finding: The Department of Social and Health Services does not have adequate internal controls over the processing of expenditures through the Agency Financial Reporting System.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="667 772 964 835"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>Not Specified</td> <td>\$0</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Department did not concur with the finding. Given the size and the decentralization of the Department, reliance must be placed on management throughout the agency for notification as well as implementation and employment of established controls. The Department has compensating controls in place.</p> <ul style="list-style-type: none"> <li>• The use of VOD1 (one time payments to vendors that do not require tax information) is monitored closely. On a quarterly basis, the Office of Accounting Services (OAS) sends to each Fiscal Program Manager for review a VOD1 report that lists all payments made that quarter. The program is responsible to ensure that payments are accurate and for only prescribed VOD1 purposes.</li> <li>• The Department consolidated the filing of forms submitted relating to access requests, changes, and deletions to facilitate more effective management of access to the system. (October 2005)</li> <li>• The Financial Service Administration (FSA) Information Technology Office (ITO) has obtained an electronic file of all Agency Financial Reporting System (AFRS) User IDs as well as all mainframe Resource Access Control Facility (RACF) User IDs and matched the two files for comparison and research. This file was also matched against current employees in an effort to identify and resolve discrepancies. This helped to eliminate specific existing problems prior to moving forward with stronger controls and more agency-wide awareness of the process. As the list changes daily, a baseline was established and the discrepancy resolution was redone in October 2004.</li> </ul> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	Not Specified	\$0
<u>CFDA #</u>	<u>Amount</u>					
Not Specified	\$0					

**State of Washington  
 Summary Schedule of Prior Audit Findings  
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(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
04	33 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• FSA/ITO developed and implemented a more streamlined and user-friendly form for managers to use to request, change or delete access. (December 2005)</li> <li>• FSA /ITO consulted with the Information Systems Services Division (ISSD) to better coordinate and streamline the process of notifications on requests for access, changes and deletions. (October 2005) Currently, FSA/ITO coordinates the AFRS access while the ISSD coordinates the mainframe RACF access. AFRS access cannot be used without mainframe RACF access. FSA will also be searching for the most efficient and practical methods of responsibility relating to coordination of the RACF and AFRS access.</li> </ul> <p>The procedure to verify input document to the AFRS turnaround report has been in place for years. These controls will be reiterated to Department accounting staff through the following methods:</p> <ul style="list-style-type: none"> <li>• The Accounting Policy Management Board (APMB) has developed a policy that addresses the required controls regarding AFRS input security and independent review. This policy includes a discussion on the use of additional compensating controls if system controls for segregation are not used. Such as:             <ul style="list-style-type: none"> <li>○ Independent review and approval of payment documents and supporting documents.</li> <li>○ Independent review and documentation of transaction register and/or warrant register review and reconciliation.</li> <li>○ Review and correction of payments in the error file.</li> </ul> </li> </ul> <p>The policy was finalized and implemented in February 2006.</p> <ul style="list-style-type: none"> <li>• FSA/OAS sent a detailed instruction regarding the policy and the new forms through the Department's financial LISTSERVE on January 30, 2006. This communication outlined the process to be followed and the importance of access relevance versus risk.</li> </ul> <p>FSA requested Operations Review and Consultation perform random checks at various locations throughout the state to ensure these controls are in place and operating. This will be included in the department's FY 2006 Audit and Consultation Plan.</p> <p>(Continued)</p>

**State of Washington  
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(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	33 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• FSA/OAS has worked closely with the Office of Financial Management representatives to explore alternative system controls that may mitigate the risk of not using the current system segregation controls.</li> </ul> <p>The Office of Financial Management received a Letter of Determination, dated September 26, 2005 from David Walter, Acting Director, Office of Audit Resolution and Cost Policy (OARCP), Health and Human Services. The letter stated that the original audit corrective actions and additional comments provided in letters of January 12, 2005, and September 2, 2005, satisfy the audit recommendations contained in the Single Audit Reports for FY 03 and FY 04 (Finding 04-33).</p> <p>Completion Date: April 2006</p>

**State of Washington  
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(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>						
04	34	<p>Finding: The Department of Social and Health Services does not have adequate internal controls over the Social Service Payment System.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="667 751 963 814"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">Not Specified</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Status: Corrective action in progress.</p> <p>Corrective Action: No software for the UNYSIS mainframe is currently available. The Department continues to seek new security software. Current front-end systems utilize technology that records who was logged into the front-end system at the time of use.</p> <ul style="list-style-type: none"> <li>• The Social Service Payment System (SSPS) front-end rewrite “Web Connect” will limit access (by incorporating hardened passwords, changed every 90 days) into the authorization process that correctly identifies the authorizer. A permission screen and “lock-out” mechanism will be part of the new SSPS front-end design. The system will also block payment to ineligible providers. The rewrite began implementation in April 2006 with completion to be May 31, 2006.</li> <li>• A systematic operator ID purge included: <ol style="list-style-type: none"> <li>1. Elimination of unused and excess operator IDs. (February 2005)</li> <li>2. Update of operator ID authorization files using Department of Personnel’s (DOP) employment termination/change lists. (Completed monthly)</li> <li>3. Tracking of programs to identify and eliminate non-essential operator IDs. The Aging &amp; Disability Services Administration non-essential operator IDs were purged. (October 2005)</li> </ol> </li> <li>• The feasibility of doing away with operator IDs through the use of the Windows “Active Directory” was reviewed in June 2005. Preliminary design work began in July 2005 with coding of pages and testing started in September 2005. This process is tied to the “Web Connect” rollout to be completed in May 2006.</li> </ul> <p>(Continued)</p>		<u>CFDA #</u>	<u>Amount</u>		Not Specified	\$0
	<u>CFDA #</u>	<u>Amount</u>						
	Not Specified	\$0						

**State of Washington  
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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	34 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• “Generic” IDs and passwords allowing access to controlled subroutines in the Information System Services Division (ISSD) database were searched for IDs with non-conforming routines. They were either removed or corrected along with a list provided by the State Auditors office in March 2005. Most “Generic Operator IDs” have been supplanted by the front-end access as each of the divisions completed their own case management systems. (December 2005)</li> <li>• Multiple IDs have been removed from the system, and ISSD has been running a monthly diagnostics on the operator ID database to ensure there are no duplicates since January 2005.</li> <li>• Since January 2005, the SSPS office and ISSD review monthly DOP information to ensure that employees who leave or move to a new job function within state service are removed from the ISSD database and the SSPS Worker ID file.</li> <li>• The SSPS office continues to work with ISSD staff to remove non-related subroutine access. ISSD formulated specific authorization access coding and subroutines to limit authorization access in January 2005. The last subroutine was removed in May 2005.</li> <li>• The SSPS office reduced access to the Provider File to only those whose job functions require Provider File access. Provider File access rights have been transferred to the Provider File Supervisor. (January 2005)</li> </ul> <p>(Continued)</p>

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(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
04	34 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• SSPS has a new combination Structured Query Language and Access database system to prepare documents, record payments, and store payment history. This information is now downloaded into the system and files shared with the Office of Accounting Services (OAS). The database system is also used for automatic entry and storage of A-19 invoice data to be shared in electronic files with the SSPS, OAS, and the Agency Financial Reporting System (AFRS). (October 2005)</li> <li>• OAS and the SSPS office developed a tax accounting database to allow reconciliation. The database has the ability to electronically reconcile expenditures through AFRS. An interim Sequel Database was completed, initiated, and tested for the 2005 taxes. (October 2005)</li> <li>• Specific reconciliation information is on the SSPS web page. All SSPS training includes instruction in the reconciliation process. The SSPS office prepared a Best Practices reconciliation memo for distribution to all SSPS users on the importance of the reconciliation process. (August 2005)</li> <li>• ISSD assessed if a program could be devised that electronically controls or locks the system. Their goal was to manage real time access to track what changed and who made the change. The feasibility study determined that this was not possible.</li> <li>• The number of individuals with access to the computer input screen used to add, delete, and view worker IDs has been reduced until a read-only screen is developed in the new SSPS front-end system access, estimated December 2006.</li> <li>• The UNYSIS does not have the capability to maintain a record of changes. SSPS will continue to use its current manual process for risk reduction.</li> </ul> <p>(Continued)</p>

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	34 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• While staff can re-point Executive Control Language, ISSD tracks access in a temporary production environment. Only authorized on-call staff have access rights.</li> <li>• Information that comes under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) privacy rule is limited to screens available to staff of the authorized division.</li> <li>• A new Provider File Unit centralized all data input from field staff late 2003. Social Security Administration's (SSA) free employee verification service was being used at the time of the audit. The Provider File Unit confirms all IRS tax ID numbers, and has added several new checks to continue to bring down the error rate, which will be determined by December 2006. These checks include:             <ol style="list-style-type: none"> <li>1. IRS Individual Taxpayer Identification Number matching site for Social Security Number (SSN) and Employer Identification Number information.</li> <li>2. Calling SSA to verify questionable or duplicate numbers.</li> <li>3. Reviewing the IRS Error List and making corrections after verifying the information.</li> <li>4. Checking the Social Security Death Index each time there is an indication that the SSN is that of a deceased individual.</li> <li>5. The SSPS office signed an agreement with the State Auditor's Office to process SSPS files through their death check process.</li> </ol> </li> <li>• Federal tax forms, W4s and W9s, will be required of providers by July 2006. A project manager was hired in June 2005 to supervise the collection and processing of these tax forms.</li> <li>• The new Medicaid Management Information System will provide full compliance for the few Health Insurance Portability and Accountability Act services now paid through SSPS. Estimated implementation date is June 2009.</li> </ul> <p>(Continued)</p>

**State of Washington  
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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
04	34 (Cont'd)	Corrective Action:	<p>The Office of Financial Management received a Letter of Determination, dated September 26, 2005 from David Walter, Acting Director, Office of Audit Resolution and Cost Policy (OARCP), Health and Human Services. The letter stated that the original audit corrective actions and additional comments provided in letters of January 12, 2005, and September 2, 2005, satisfy the audit recommendations contained in the Single Audit Reports for FY 03 and FY 04 (Finding 04-34).</p> <p>Completion Date: Estimated, June 2009</p>

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>																	
04	35	<p>Finding: The Department of Social and Health Services, Economic Services Administration, does not enter accurate information in its Random Moment Time Sample to ensure administrative costs are properly charged to federal and state funds.</p> <p>Questioned Costs:</p> <table border="1"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>10.561</td> <td>\$ 29,483,273</td> </tr> <tr> <td>93.558</td> <td>26,676,581</td> </tr> <tr> <td>93.566</td> <td>1,791,777</td> </tr> <tr> <td>93.596</td> <td>6,248,951</td> </tr> <tr> <td>93.667</td> <td>4,475,373</td> </tr> <tr> <td>93.778</td> <td><u>32,640,285</u></td> </tr> <tr> <td>Total</td> <td>\$101,316,240</td> </tr> </tbody> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Department posted a memo to all employees via the Inside Economic Services Administration's web page iESA describing the Random Moment Time Sample (RMTS) process and requirements and conducted training classes for the RMTS Coordinators. (June 2005)</p> <p>The Department revised the RMTS instructions and distributed them to all staff that are eligible to be selected for the RMTS. (June 2005)</p> <p>The Field Fiscal Services Administrator attended regional Community Service Office (CSO) Administrator meetings to discuss the RMTS process and review the roles and responsibilities of the administrators, emphasizing the requirement that the RMTS is to be completed according to the instructions. (June 2005)</p> <p>In April 2005, the Department began audits of the RMTS documents for two CSOs on a monthly basis and immediately notified the CSO Administrator and Regional Administrator of corrective action that is needed to bring the RMTS process into line with the requirements of the program.</p> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	10.561	\$ 29,483,273	93.558	26,676,581	93.566	1,791,777	93.596	6,248,951	93.667	4,475,373	93.778	<u>32,640,285</u>	Total	\$101,316,240	
<u>CFDA #</u>	<u>Amount</u>																		
10.561	\$ 29,483,273																		
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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
04	35 (Cont'd)	Corrective Action:	The Field Fiscal Services Administrator conducted a review of the questioned samples to determine the impact on the distribution of the program support expenditures to the various programs if the questioned samples were excluded from the distribution methodology. (April 2005)
		Completion Date:	June 30, 2005.

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	36	<p>Finding: The Department of Social and Health Services did not comply with federal requirements for an independent peer review of the Community Mental Health Services Block Grant.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: top;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.958</td> <td>N/A</td> </tr> </table></p> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Mental Health Division (MHD) has petitioned the federal grantor for an exception or to change its regulation requiring an independent peer review.</p> <p>A report was emailed to the grantors at Substance Abuse and Mental Health Services Administration (SAMHSA) outlining how MHD has met this requirement. The grantor's program staff reviewed and accepted this as meeting the requirements for independent peer reviews published in 42 USC 300x-53a. Accordingly, the SAMHSA Financial Advisory Services Officer involved has confirmed the resolution of the matter upon receipt of a letter formalizing MHD's actions. (Submitted in November 2005)</p> <p>Completion Date: November 16, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.958	N/A
<u>CFDA #</u>	<u>Amount</u>					
93.958	N/A					

**State of Washington  
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**Department of Community, Trade and Economic Development (CTED)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
04	37	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Community, Trade and Economic Development did not comply with federal requirements for suspension and debarment.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>14.239</td> <td>N/A</td> </tr> </table> <p>Corrective action complete.</p> <p>CTED disagrees with the finding. The Housing Repairs and Rehabilitation Program refers in its contracts to Executive Order 12546, <u>Debarment and Suspension</u>, as well as requiring contractors to certify that neither the organization nor its principals are suspended or debarred. The contract also prohibits the contractor from entering into contracts with parties that are suspended or debarred. The contractors for the Tenant Based Rental Assistance program are responsible for the determination of low-income family eligibility to receive rental assistance and pay for the family's rent with vouchers directly to landlords. They do not do business with lower tier contractors.</p> <p>CTED received a management decision letter from the U.S. Department of Housing and Urban Development dated July 26, 2005, which stated that no further corrective action was required and that they considered this finding closed.</p> <p>July 26, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	14.239	N/A
<u>CFDA #</u>	<u>Amount</u>						
14.239	N/A						

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**Department of Community, Trade and Economic Development (CTED)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	38	<p>Finding: The Department of Community, Trade and Economic Development did not comply with federal requirements for time and effort reporting.</p> <p>Questioned Costs: <u>CFDA #</u> 93.568, 93.569      <u>Amount</u> \$56,500</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: Employees that work on more than one program have been charging their time based on actual time spent on various projects since December 31, 2004.</p> <p>Completion Date: December 31, 2004</p>

**State of Washington**  
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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
04	40	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Juvenile Rehabilitation Administration did not comply with federal requirements for time and effort reporting for the Juvenile Accountability Incentive Block Grant Program.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>16.523</td> <td>\$565,000</td> </tr> </table> <p>Corrective action complete.</p> <p>The Juvenile Rehabilitation Administration (JRA) implemented the requirements of the Department's Fiscal Policy 50.01, <i>Federal Compliance with Time Allocation/Certification</i> in February 2005. Semi-annual certifications have been completed for salaried and part-time employees for both the current period and the audit review period. JRA employees who work on multiple activities now keep daily timesheets on their activities.</p> <p>February 28, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	16.523	\$565,000
<u>CFDA #</u>	<u>Amount</u>						
16.523	\$565,000						

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**Military Department**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
04	41	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Military Department did not comply with federal requirements for time and effort reporting in the State Domestic Preparedness Equipment Support Program.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td>16.007, 97.004</td> <td></td> <td style="text-align: right;">\$75,000</td> </tr> </table> <p>Corrective action complete.</p> <p>During the audit year ending June 30, 2004, the Washington Military Department placed in operation a time and effort policy and related procedures. The policy and procedures state clearly that actual time will be reported. (March 2004)</p> <p>To strengthen the implementation of the time and effort policy and procedure, an additional process was instituted that required the Payroll Section to forward any timesheets suspected of being constructed on budgeted time to the Accounting Manager. In turn, the Accounting Manager is obligated to bring the suspect timesheets to the attention of the Emergency Management Division (EMD) Chief of Staff. (January 3, 2005)</p> <p>The EMD Chief of Staff is also directly monitoring timesheets. The monitoring of timesheets by the EMD Chief of Staff has already resulted in timesheets being returned to supervisors and staff to be corrected to report actual time.</p> <p>January 3, 2005</p>		<u>CFDA #</u>	<u>Amount</u>	16.007, 97.004		\$75,000
	<u>CFDA #</u>	<u>Amount</u>							
16.007, 97.004		\$75,000							

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
04	44	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Health and Rehabilitative Services Administration, does not adequately monitor its subrecipients for the Community Mental Health Services Block Grant.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.958</td> <td>N/A</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Mental Health Division (MHD) began implementing Department Administrative Policy 13.14 on identifying and managing federal Subrecipient contracts and agreements in April 2005.</p> <p>MHD will develop a contract monitoring process in accordance with federal regulations for all contracts, including, but not limited to, the Mental Health Block Grant contracts by June 2006. This process will include on-site reviews when the risk matrix identifies that monitoring is appropriate. A workgroup has been appointed to facilitate this process. Federal block grant monitoring for all regional service networks will be completed by May 31, 2006.</p> <p>MHD re-established itself on the distribution list for State, County and Independent audits. These reports are reviewed for findings and corrective action items related to subrecipients of federal funds. (June 2005)</p> <p>MHD has obtained independent audits where they are required. The county audit communication has been researched, as counties have various means of distributing audit results. Language has been added to contracts to address this requirement. (November 2005)</p> <p>June 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.958	N/A
<u>CFDA #</u>	<u>Amount</u>						
93.958	N/A						

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**Military Department**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
04	45	<p>Finding: The Military Department does not have adequate internal controls to ensure compliance with regulations regarding purchases for, contracting with, and monitoring of its subrecipients in the State Domestic Preparedness Equipment Support Program.</p> <p>Questioned Costs: <u>CFDA #</u> 16.007, 97.004      <u>Amount</u> N/A</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: <u>Purchases for subrecipients</u> All purchases are now processed on the Military Department's automated Purchase Order System (POS), which requires an electronic approval from a manager or authorized official. In addition, the Chief of Staff for EMD provides electronic authorization for all Homeland Security equipment purchases. (July 1, 2004)</p> <p><u>Contracting with and monitoring of subrecipients</u> An oversight management group was established to direct the development and implementation of a subrecipient monitoring policy and related procedures. The comprehensive written agency policy and procedures were completed in April 2005. Training is being provided to program staff in cooperation with the State Auditor's Office. A grants management program is now available to start recording single audits on subgrantees. The progress of implementing the policy and procedures is being reported to the director on an intermittent basis until fully operational.</p> <p>Completion Date: Estimated June 2007</p>

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**University of Washington (UW)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>								
04	46	<p>Finding: The University of Washington did not comply with federal grant requirements for two of its research and development programs.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: top;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.846, 93.856</td> <td>\$16,517</td> </tr> <tr> <td></td> <td><u>19,992</u></td> </tr> <tr> <td></td> <td>\$36,509</td> </tr> </table></p> <p>Status: Corrective action complete.</p> <p>Corrective Action: <ol style="list-style-type: none"> <li>1. Questioned costs were removed from the federal grants and transferred to appropriate sources: <ul style="list-style-type: none"> <li>• Center for AIDS and Sexually Transmitted Diseases (STD) (93.856) - \$19,992 transferred July 8, 2004.</li> <li>• Department of Radiology (93.846) - \$16,517 transferred August 23, 2004.</li> </ul> </li> <li>2. New internal control mechanisms implemented: <ul style="list-style-type: none"> <li>• Center for AIDS/STD – August 15, 2004.</li> <li>• Department of Radiology – November 10, 2004.</li> </ul> </li> <li>3. Additional corrective action taken at Center for AIDS/STD <ul style="list-style-type: none"> <li>• New staff hired (1.5 FTEs) to provide more oversight on financial activities – November 1, 2004.</li> <li>• Employees cross-trained and responsibilities redistributed to provide more back-up support – February 28, 2005.</li> </ul> </li> </ol> <p>The State of Washington received a management decision letter dated September 16, 2005, stating the Office of Audit Resolution and Cost Policy (OARCP) Health and Human Services has determined that the corrective action plan and subsequent comments satisfied the auditor’s recommendations.</p> <p>Completion Date: February 28, 2005</p> </p>	<u>CFDA #</u>	<u>Amount</u>	93.846, 93.856	\$16,517		<u>19,992</u>		\$36,509
<u>CFDA #</u>	<u>Amount</u>									
93.846, 93.856	\$16,517									
	<u>19,992</u>									
	\$36,509									

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**Employment Security Department (ESD)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	47	<p>Finding: The Employment Security Department does not have adequate internal controls over the reporting of grant expenditures on the Schedule of Expenditures of Federal Awards.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="667 768 963 827"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">17.245</td> <td style="text-align: right;">N/A</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: Effective July 1, 2004, all Trade Act benefit transactions have been recorded properly in the department's accounting system under Catalog of Federal Domestic Assistance (CFDA) 17.245.</p> <p>Additional account codes were created to allow for more detailed tracking of benefit expenditures. This change will remove any confusion over the CFDA codes to use for reporting and will give the Department the ability to accurately report Federal benefits issued at the needed detail level. It will also allow the Department to accurately report Trade Act activities on the Schedule of Expenditures of Federal Awards (SEFA). In addition, a monthly reconciliation of Trade Act benefit expenditures is being performed to ensure all entries are correct.</p> <p>The Department's fiscal year 2004 SEFA was corrected to reflect the actual revenue and expenditure amounts for the Trade Act program. The corrected expenditure amount appeared in the SEFA for the Fiscal Year 2004 State of Washington Federal Single Audit published in May 2005.</p> <p>Completion Date: July 1, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	17.245	N/A
<u>CFDA #</u>	<u>Amount</u>					
17.245	N/A					

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**Employment Security Department (ESD)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
04	48	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Employment Security Department did not comply with federal requirements for time and effort reporting.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>17.245</td> <td>\$130,515</td> </tr> </table> <p>Corrective action in progress.</p> <p>Time charges questioned by the auditors in this finding pertained to two components of the same program - Trade Act - TAA and NAFTA. Funding for NAFTA was discontinued in the affected offices as of June 30, 2004. As such, time reporting between these components is no longer an issue.</p> <p>In response to this finding, the WorkSource Operations Division worked extensively with local offices to reinforce the agency message to all staff of the importance of accurate time and effort reporting among all federal programs. The division also conducted training for all managers and supervisors statewide to ensure understanding of proper time reporting procedures. In addition, the division has implemented daily time reporting for staff in its local offices. Staff timesheets are available on-line for supervisors to review and monitor to ensure they are being completed in a timely manner.</p> <p>Statewide, the staff identified through this review are now aware that their time is to be charged on a daily basis and is distributed by project codes that reflect actual activities performed. They will fill out their time sheets and use proper charge codes according to the duties performed each day.</p> <p>The agency will work with the federal grantor to resolve the questioned costs.</p> <p>Estimated, June 2006</p>	<u>CFDA #</u>	<u>Amount</u>	17.245	\$130,515
<u>CFDA #</u>	<u>Amount</u>						
17.245	\$130,515						

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	49	<p>Finding: The Department of Social and Health Services' Medical Assistance Administration (MAA) did not comply with allowability and reporting requirements for the State Children's Health Insurance Program.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: top;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.767</td> <td>\$13,150,000</td> </tr> </table></p> <p>Status: Corrective action complete.</p> <p>Corrective Action: Health &amp; Recovery Services Administration (HRSA) (formerly known as Medical Assistance Administration) bases requests for federal program reimbursements on actual rather than estimated payments for Medicaid-eligible children whose family incomes fall within certain limits. Actual payments were calculated as of April 25, 2005. The total of \$1.0 million was returned to the Centers for Medicare and Medicaid Services (CMS) on the July 31, 2005 quarterly report.</p> <p>HRSA ensured payments made for prenatal services are provided only after the effective date of the State Plan amendment, November 12, 2002. Payments made before the State Plan amendment approval were returned to CMS on the quarterly report due July 31, 2005.</p> <p>Completion Date: July 31, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.767	\$13,150,000
<u>CFDA #</u>	<u>Amount</u>					
93.767	\$13,150,000					

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**Department of Community, Trade and Economic Development (CTED)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	1	<p>Finding: The Department of Community, Trade and Economic Development did not comply with federal requirements for time and effort reporting and suspension and debarment.</p> <p>Questioned Costs: <u>CFDA #</u> 14.239      <u>Amount</u> \$287,376</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: <u>Suspension and Debarment</u>          The basis of the finding is that CTED did not collect required certification forms from all of its subrecipients and potential contractors. The auditors noted that CTED did consult the federal List of Excluded Parties before awarding any contracts. Subsequent to the audit finding, the federal rule was changed (November 2003) to no longer require a certification form. The current federal rule requires either language in the contract or consultation with the List of Excluded Parties.</p> <p>To satisfy rule requirements in existence in the audit year, the Administrative Services Division of CTED communicated the old suspension and debarment requirements to all CTED employees. Program managers were required to review their current practices, determine if compliant and, when necessary, correct any non-compliant issues.</p> <p>The Housing Division, HOME program, decided to require suspension and debarment certifications for all of its construction-related contractors.</p> <p>(Continued)</p>

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**Department of Community, Trade and Economic Development (CTED)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
03	1 (Cont'd)	Corrective Action:	<p>The Housing Division, HOME program:</p> <ul style="list-style-type: none"> <li>• As of January 2004, required all future subrecipients and contractors receiving awards for HOME funds for construction projects to sign and submit the U.S Department of Housing and Urban Development (HUD) form 2992, <u>Certification Regarding Debarment and Suspension</u> before contracts would be executed.</li> <li>• Obtained a completed HUD form 2992 certification from all of the current 2003 subrecipients and contractors using HOME funds for construction projects. This was completed by April 30, 2004.</li> <li>• Updated the Housing Finance Unit (HFU) contract - General Terms and Conditions, Section 7.01 Certification Regarding Debarment, Suspension, or Ineligibility to include the requirement for subrecipients and contractors to sign and submit HUD form 2992. This was completed by January 31, 2004.</li> </ul> <p><u>Time and Effort Reporting</u>            For compliance with the time and effort requirement for staff that work solely on one federal grant or activity, CTED is using a revised timesheet template to include a time and effort certification statement. All supervisors, or their designees, are required to review the timesheets and sign the certification semi-monthly. This was completed by December 31, 2004.</p> <p>Housing Division staff who charge their time to HOME and other activities are charging their time based on actual time spent on various projects. This has been in effect since March 2004. CTED received a management decision letter from the U.S. Department of Housing and Urban Development dated January 27, 2005, which stated "...the employee time distribution records for 2003 provide adequate documentation to support the staff costs CTED charged to the HOME program during that year. We hereby allow the \$287,376 in questioned costs."</p> <p>Completion Date: January 27, 2005</p>

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**Employment Security Department (ESD)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
03	3	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Employment Security Department did not comply with federal requirements for payroll time and effort reporting for the Unemployment Insurance program.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>17.225</td> <td>\$58,600</td> </tr> </table> <p>Corrective action in progress.</p> <p>The six employees whose salaries were questioned in this audit finding have been counseled as to proper time reporting practices. The agency has continued to emphasize the importance of federal time reporting requirements to all staff.</p> <p>In response to this finding, the WorkSource Operations Division worked extensively with local offices to reinforce the agency message to all staff of the importance of accurate time and effort reporting among all federal programs. The division also conducted training for all managers and supervisors statewide to ensure understanding of proper time reporting procedures. In addition, the division has implemented daily time reporting for staff in its local offices. Staff timesheets are available on-line for supervisors to review and monitor to ensure they are being completed in a timely manner.</p> <p>The agency resolved these questioned costs with the U.S. Department of Labor (USDOL) in July 2005; however, USDOL did not consider the underlying time reporting weaknesses resolved at that time. The agency is reporting progress quarterly and actively monitoring compliance with new time reporting procedures.</p> <p>Estimated, June 2006</p>	<u>CFDA #</u>	<u>Amount</u>	17.225	\$58,600
<u>CFDA #</u>	<u>Amount</u>						
17.225	\$58,600						

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**Employment Security Department (ESD)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
03	4	<p>Finding: The Employment Security Department paid unemployment insurance benefits to claimants who were not eligible and made payments to claimants during their first week of unemployment, which is prohibited by state law.</p> <p>Questioned Costs: <u>CFDA #</u> 17.225      <u>Amount</u> 0</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Employment Security Department continues to perform extensive cross matches, data mining and other fraud prevention and detection efforts for the Unemployment Insurance (UI) program. This includes a cross match with the Social Security Administration. These processes should reduce or eliminate payments to individuals using invalid social security numbers or numbers belonging to the deceased.</p> <p>Agency staff have developed a weekly Unemployment Insurance/Labor and Industries (L&amp;I) cross match designed to immediately identify those claimants who have filed for and are receiving both UI and workers compensation benefits simultaneously. Agency staff will continue to work with the system-generated reports and establish procedures to eliminate overpayment and fraud activity. The agency is also working with the Department of Labor and Industries to improve coordination and communication when back pay awards of workers compensation benefits occur.</p> <p>To address issues related to proper payment of benefits to claimants receiving pensions, the agency has updated pension deduction charts with percentages to be used by each pension type. Also, additional training has been provided to staff to ensure accuracy of pension deductions.</p> <p>Agency staff have implemented programming changes to prevent the payment for a claimant's waiting week. System implementation took place April 1, 2005.</p> <p>Accounts receivable have been established for overpayments and collection actions initiated as appropriate.</p> <p>Completion Date: July 1, 2005</p>

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**Employment Security Department (ESD)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
03	5	<p>Finding: ***The Employment Security Department did not comply with federal requirements for payroll time and effort reporting for the Workforce Investment Act program.</p> <p>Questioned Costs: <u>CFDA #</u> 17.255*** <u>Amount</u> \$27,517</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The two agency staff whose salaries were questioned in this audit finding have been counseled as to proper time reporting practices as a result of an audit finding in state fiscal year 2002. Time charges for both employees were included in testing of this program by the State Auditor's Office for state fiscal year 2003. No exceptions were found.</p> <p>In response to this finding, the WorkSource Operations Division worked extensively with local offices to reinforce the agency message to all staff of the importance of accurate time and effort reporting among all federal programs. The division also conducted training for all managers and supervisors statewide to ensure understanding of proper time reporting procedures. In addition, the division has implemented daily time reporting for staff in its local offices. Staff timesheets are available on-line for supervisors to review and monitor to ensure they are being completed in a timely manner.</p> <p>The agency resolved the questioned costs with the U.S. Department of Labor (USDOL) in July 2005; however, USDOL did not consider the underlying time reporting weaknesses resolved at that time. The agency is reporting progress quarterly and actively monitoring compliance with new time reporting procedures.</p> <p>Completion Date: Estimated, June 2006</p>

\*\*\* This finding relates to a compliance issue that occurred in state fiscal year 2001. CFDA 17.255 was the applicable catalog number at that time.

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
03	8	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration (MAA), received federal Medicaid funds for unallowable services provided to undocumented aliens.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778      <u>Amount</u> \$671,210</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: <b>Recommendation:</b> <u>Develop internal controls that would require employees to verify applicant's social security numbers and heed alerts sent by the Social Security Administration pertaining to invalid social security numbers (SSNs).</u> The Department of Social and Health Service (DSHS) does not agree with this recommendation, as it pertains to undocumented aliens. There are legitimate reasons why State employees may be unable to obtain the correct SSN as in the case of undocumented aliens. No action taken.</p> <p><b>Recommendation:</b> <u>Develop clear policy and procedure manuals.</u> DSHS does not agree with this recommendation as it pertains to the alien emergency medical program. DSHS staff should follow the policy and procedure manuals in place at the time of eligibility verification, as those manuals reflected policy in place at that time. No action taken.</p> <p><b>Recommendation:</b> <u>Establish internal controls that ensure staff make consistent referrals to medical consultants for diagnoses that are not listed in the eligibility manual and ensure that consultants respond promptly.</u> MAA formed a workgroup to review the Alien Emergency Medical policy and to ensure that referrals to medical consultants are made appropriately. Post pay review is utilized to determine if referrals are correctly made. The new policy went into effect December 2005.</p> <p><b>Recommendation:</b> <u>Develop an accounting system that would differentiate emergency from non-emergency procedures so that the appropriate funds could be used to pay for the designated services.</u> MAA incorporated improvements for accounting into the 2005/2007 Chart of Accounts and will work on incorporating improvements into the Medical Management Information System (MMIS) repurchase. MAA has put in place an Alien Emergency Medical policy with monitoring to ensure appropriate procedures are charged for AEM as of December 2005.</p> <p>(Continued)</p>

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
03	8 (Cont'd)	Corrective Action:	<p><b>Recommendation:</b> <u>Work with the U.S. Department of Health and Human Services to determine if any unallowable costs charged to Medicaid must be returned.</u>            Disposition of questioned costs is pending the Centers for Medicare &amp; Medicaid Services (CMS) review and decision.</p> <p><b>Refer to corrective action on finding 04-05 for further action on this issue.</b></p> <p>Completion Date: December 2005</p>

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
03	11	<p>Finding: The Department of Social and Health Services (DSHS), Medical Assistance Administration (MAA), has not established sufficient internal controls to ensure financial reports submitted to the federal government comply with Medicaid provisions.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778      <u>Amount</u> \$0</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: DSHS partially concurs with the finding and has structured its corrective action by the conditions noted by the auditor:</p> <p><b>Condition 1:</b> <u>DSHS is not reporting disbursements for alien emergency medical (AEM) services.</u></p> <ul style="list-style-type: none"> <li>• The Department agrees that undocumented AEM services should be categorized separate from documented AEM services on the claim; however, the Department is unable to take corrective action at this time. The Automated Client Eligibility System (ACES) and Medical Management Information System (MMIS) do not currently have the capability of capturing undocumented aliens separately from documented aliens and U.S. citizens.</li> <li>• Additionally, the MMIS does not currently have the capability of determining which services were performed as part of an emergent situation and/or any follow-up as required under the decision from <u>Gutierrez v. DSHS</u>, Yakima Superior No. 032017662 (2003).</li> <li>• The Department has established a unique account coding to report AEM expenditures on Line 27 of the CMS 64 report.</li> </ul> <p>(Continued)</p>

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
03	11 (Cont'd)	<p>Corrective Action:</p> <p><b>Condition 2:</b> <u>DSHS is underreporting disbursements in some categories.</u>          The Department partially concurs with this condition of the finding. However, the Department is not underreporting expenditures in aggregate. Because of a current situation with the Medical Management Information System (MMIS), there are expenditures included on Line 29, "Other Care Services," that should be reported in other categories on the claim. All reported expenditures are eligible for Title XIX clients. There are also instances where MMIS may not recognize the service code of a disbursement. These disbursements presently are assigned a misleading title of "suspense." These are not suspense items, but are legitimate Title XIX disbursements and are reported as such on the CMS 64 report. This condition was identified by MAA prior to the audit and the Department has changed the title to "Other Care Services." MAA has implemented quarterly JVs to move the charges to appropriate sub/sub/objects. (February 2004)</p> <p><b>Condition 3:</b> <u>The Department does not have sufficient internal controls over preparation of the CMS-64.</u></p> <ul style="list-style-type: none"> <li>• The Department does not agree with the statement "...provides for no monitoring..." nor does it concur with this condition of the finding. The Centers for Medicare and Medicaid Services has a full time fiscal auditor assigned to the State of Washington who is on-site for several weeks during the preparation of the claim, requesting justification and explanation for specific expenditures. The auditor approves the claim for submission prior to DSHS certifying the claim.</li> <li>• Additionally, the entire claim preparation is in itself a reconciliation of Title XIX expenditures. A one-page summary of the reconciliation activity is now prepared prior to the claim certification, previously, the summary was prepared after certification.</li> </ul> <p><b>Condition 4:</b> <u>The Department must establish timely and consistent communications between the Medical Assistance Administration (MAA) and the Office of Accounting Services (OAS).</u>          There is now better coordination between staffs in the OAS and MAA.          Additionally, MAA staff have implemented better tracking and monitoring mechanisms to ensure timely correction of errors. (January 2004)</p> <p>(Continued)</p>

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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
03	11 (Cont'd)	Corrective Action:	<p><b>Condition 5:</b> <u>The Department must ensure that the coding in the MMIS is accurate.</u></p> <ul style="list-style-type: none"> <li>• MAA has hired a full time fiscal analyst who identifies issues with the MMIS coding and develops appropriate corrections. (September 2003)</li> <li>• MAA has also initiated a process for selection of a new MMIS system that will better meet the challenges of adequate monitoring of expenditures, identification of problematic areas and upkeep of coding. Estimated replacement is June 2007.</li> </ul> <p>Completion Date: Estimated, June 2007.</p>

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	12	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration (MAA), has not established sufficient internal controls to ensure the eligibility of families enrolled in the Medicaid Basic Health Plus program.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778      <u>Amount</u> \$8,559</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: The audit finding was divided into three conditional areas:</p> <p><b>Condition 1:</b> <u>For self-employed households, income information is not corroborated with an independent source such as tax returns from the state's Department of Revenue or the Internal Revenue Service. Although the Department requires receipts for expenses, for self-employed clients the Department continues to accept a self-declaration of income.</u> The Department contacted the Center for Medicare and Medicaid Services (CMS) for guidance on this issue. CMS responded that there was no need to verify income with an independent source and have not requested the Department return question costs. (June 2005)</p> <p><b>Condition 2:</b> <u>Although income changes must be reported immediately, the Department could not provide evidence of procedures that ensures that this is occurring in a consistent manner.</u></p> <ul style="list-style-type: none"> <li>• The Medical Eligibility Determination Section (MEDS) has established and emphasized policies for corroborating client income as outlined in the "Eligibility A-Z" manual.</li> <li>• MEDS works with Basic Health (BH) during the certification period and continues to follow the "BH/MAA Policy and Procedure" manual.</li> <li>• There is no requirement to verify income unless the income level is questionable. There are several ways to verify income levels when that becomes necessary.</li> </ul> <p>(Continued)</p>

**State of Washington  
 Summary Schedule of Prior Audit Findings  
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(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit  
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 June 30, 2005**

**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
03	12 (Cont'd)	Corrective Action:	<p><b>Condition 3:</b> <u>Eligibility review quotas have not been achieved.</u>            The Department does concur that case auditing for BH Plus was not in compliance with the internal corrective action plan governing adequate resources. It is important to note that this condition relates to case auditing by MEDS lead workers and supervisors. The audit plan was developed without advance knowledge that Department policies would change and before staff cutbacks forced lead workers to carry caseloads in addition to training new staff.</p> <p>Given the current circumstances, the audit plan has been updated to ensure compliance with the internal corrective action plan. Updates include:</p> <ul style="list-style-type: none"> <li>• Realignment of caseloads to allow time for lead and supervisory employees to audit.</li> <li>• An additional requirement that leads and supervisors establish timelines for performance of audits and monitoring their teams' weekly progress.</li> <li>• Establishment of new audit requirement criteria. Cases to audit are selected at random for seasoned employees or 100% review for new employees.</li> <li>• Requirement for monthly submission of copies of completed audit forms to management. (August 2004)</li> </ul> <p><b>Refer to corrective action on finding 04-07 for further action on this issue.</b></p> <p>Completion Date: June 30, 2005</p>

**State of Washington  
 Summary Schedule of Prior Audit Findings  
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(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit  
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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	13	<p>Finding: The Department of Social and Health Services, Aging and Disability Services Administration (ADSA) and Medical Assistance Administration (MAA), have not set up an effective system of communication that would ensure that Medicaid payments are not being made to nursing homes that are not in compliance with the federally mandated health and safety standards.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778      <u>Amount</u> \$0</p> <p>Status: No corrective action required.</p> <p>Corrective Action: The Department concurs it needed to strengthen controls over this process, but disagrees with the auditor's recommendations. The recently installed notification process involving the federal Centers for Medicare and Medicaid Services (CMS) has solved the problem. The current process is as follows:</p> <ul style="list-style-type: none"> <li>• ADSA recommends the need for an enforcement action to CMS.</li> <li>• CMS takes the enforcement action.</li> <li>• CMS communicates directly with MAA regarding dates of denial of payment.</li> </ul> <p>Any further notification by ADSA to MAA would be duplicative and only add confusion.</p> <p>Last year only 14 of 114 facilities did not come into compliance prior to CMS implementing a denial of payment remedy. If ADSA were to have followed the auditor's recommendation, it would have communicated 100 unnecessary notices to MAA.</p> <p>Completion Date: N/A</p>

**State of Washington  
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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
03	14	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Medical Assistance Administration (MAA), is not complying with subrecipient monitoring requirements for the Medicaid Program.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td></td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>Currently, MAA ensures compliance with the subrecipient monitoring requirements by:</p> <ul style="list-style-type: none"> <li>• Including appropriate compliance requirements in the language of the subagreement award.</li> <li>• Providing subrecipients with program information (including federally required information) in the subagreement award.</li> <li>• Providing consultation services to officials of the subrecipient.</li> <li>• Reviewing monthly billings that have supporting documentation attached and reviewing program/progress reports that provide Department of Social &amp; Health Services (DSHS) with status of the program along with current measurements.</li> <li>• Reviewing the subrecipient's annual audit report and following up with corrective action plan.</li> </ul> <p>DSHS' Accounting Policy Management Board published DSHS Administrative Policy No. 13.14, <i>Identifying and Managing Federal Subrecipient Contracts and Agreements</i>. The Policy establishes organizational responsibility for activities necessary to identify and manage subrecipient awards and agreements (including subrecipient monitoring). MAA, like other organizational units of DSHS, is expected to monitor for compliance with requirements of Office of Management and Budget (OMB) Circular A-133. In addition, the units are to monitor to ensure that federal funded awards made by DSHS are used for authorized purposes in compliance with laws, regulations and the provisions of contracts and grant agreements. The Policy was effective April 15, 2005. The Accounting Policy Management Board is developing procedures to assist operating units of DSHS in implementing the requirements of the Policy. The procedures are to be completed by June 2006.</p> <p>Estimated, June 2006</p>		<u>CFDA #</u>	<u>Amount</u>	93.778		\$0
	<u>CFDA #</u>	<u>Amount</u>							
93.778		\$0							

**Summary Schedule of Prior Audit Findings  
For Years Prior to Fiscal Year 2005**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	17	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration has not established sufficient internal controls to ensure that capitation rates for its managed care providers are based on accurate fee-for-service encounter data.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778      <u>Amount</u> \$0</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: The audit finding was divided into three conditional areas:</p> <p><b>Condition 1:</b> <u>The Department must continue to develop its fraud detection, enforcement, and prevention procedures for fee-for-service provider claims expanding to all provider areas.</u></p> <ul style="list-style-type: none"> <li>• The Department does not concur with this finding. Fraud and Abuse policies and procedures are in place and compliant with the Centers for Medicare and Medicaid Services (CMS) guidelines for managed care.</li> <li>• Current and future fee-for-service fraud and abuse is irrelevant to current and future managed care rate setting.</li> </ul> <p><b>Condition 2:</b> <u>The Department must develop formal procedures for referral to the Medicaid Fraud Control Unit or other enforcement action.</u> The Department has developed and implemented policies and procedures governing the referral of suspected fraud and abuse to the Medicaid Fraud Control Unit. (October 2005)</p> <p><b>Condition 3:</b> <u>The Department must review the use of data used in setting capitation rates to ensure that rates are not affected by erroneous fee-for-service data.</u> The Department does not concur with this finding. The auditor misunderstood the rate setting process and placed too much importance on fee-for-service and encounter data in current rate setting. The only fee-for-service data that has ever entered into rate setting is from 1993.</p> <p>Completion Date: October 14, 2005</p>

**State of Washington  
Summary Schedule of Prior Audit Findings  
For Years Prior to Fiscal Year 2005**

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(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	19	<p>Finding: The Department of Social and Health Services, Economic Services Administration, should improve compliance with eligibility requirements for the Temporary Assistance to Needy Families Program.</p> <p>Questioned Costs: <u>CFDA #</u> 93.558      <u>Amount</u> \$20,840</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: <u>Periodically compare information provided by recipients with applicable records maintained with other state agencies and investigate any discrepancies.</u> The Department developed a cross-match of Temporary Assistance for Needy Family (TANF) recipients without earnings in the Automated Client Eligibility System (ACES) to verify consistency with family earnings records maintained by the Employment Security Department. A discrepancy list is generated monthly based on TANF review end dates. Cases with significant discrepancies are referred to the DSHS regions for investigation and appropriate corrective action. Completed September 2004.</p> <p><u>Require employees to follow state regulations regarding Social Security numbers and investigate and resolve invalid numbers.</u> The Department has provided employees of the TANF program with access to the ACES training documents on using social security alerts. Training documents are placed on the ACES web site. The Department sent a message via the Inside Economic Services Administration (iESA) network advising field employees of the availability of the training documents. The notification will be resent annually. Completed June 2004.</p> <p><u>Ensure its manual accurately reflects the applicable current Washington Administrative Codes.</u> The Eligibility A-Z Manual is being revised. Revision of the Citizenship and Alien Status chapter was completed, effective September 1, 2004.</p> <p>(Continued)</p>

**State of Washington  
 Summary Schedule of Prior Audit Findings  
 For Years Prior to Fiscal Year 2005**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

***OMB Circular A-133 Audit  
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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
03	19	<p>Corrective Action: The Division of Management Resources and Services has initiated a change to ACES that will allow staff to query the State Online Query System (SOLQ) easily at the time of determining eligibility. The programming changes are scheduled for implementation in April 2006. Staff will be trained on use of the SOLQ upgrades at that time.</p> <p><b>Refer to corrective action on finding 04-23 for further action on this issue.</b></p> <p>Completion Date: Estimated, April 2006</p>

**State of Washington  
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**OMB Circular A-133 Audit  
 For the Fiscal Year Ended  
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(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
03	22	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Mental Health Division (MHD), did not properly monitor its contract with a non-profit agency whose funds were used for the personal expenses of a staff member.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.958</td> <td>\$165,000</td> </tr> </table> <p>Corrective action complete.</p> <ol style="list-style-type: none"> <li>1. A Mental Health Division (MHD) policy on contract monitoring has been developed and was implemented in August 2005.</li> <li>2. Most headquarters program staffs have attended contracting training and are familiar with the provisions of the draft administrative policy and the requirements of contract monitoring. Completed, January 2004.</li> <li>3. MHD will review contract monitoring requirements, periodically, at staff meetings, which are held monthly.</li> <li>4. Procedures have been established to require a comparison of billings to contract provisions. No payments are allowed prior to satisfaction of contract requirements. Completed, January 2004.</li> <li>5. Program Managers are now responsible for payment authorization, verification of reports and assurance that services have been received. Completed, January 2004.</li> <li>6. A letter was sent to the National Alliance for the Mentally Ill (NAMI) requesting verification of services in the questioned contract period.</li> <li>7. Subsequently, MHD received from NAMI documentation that established the validity and allowability of services in the questioned contract period. A letter was sent to the NAMI on June 28, 2004, confirming that it was in compliance with all the requirements for receipt of Federal Block Grant funds; that the issue was completely resolved and no repayment would be sought. The contractor was invited to bid on a new contract advertised in July 2004.</li> <li>8. Pursuant to a federal Substance Abuse and Mental Health Services Administration (SAMHSA) letter of determination (CIN A-10-05-79128) questioned costs in the amount of \$147,059.72 were returned to the federal government by warrant. Completed March 23, 2005.</li> </ol> <p>August 31, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.958	\$165,000
<u>CFDA #</u>	<u>Amount</u>						
93.958	\$165,000						

**State of Washington  
Summary Schedule of Prior Audit Findings  
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**University of Washington (UW)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	23	<p>Finding: The University of Washington did not comply with federal cost principles for its research and development programs.</p> <p>Questioned Costs: <u>CFDA #</u>      <u>Amount</u>  12.000, 93.279,      \$35,977  93.361</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: <u>Parenting Clinic – Failure to allocate charges properly</u>  1. Train and provide guidance to research coordinator:  a. Attend UW-sponsored training (completed February 2004).  b. Meet regularly with department administration for guidance on grants management (completed September 2003).  2. Allocate costs accurately using new tracking system (completed September 2003).</p> <p><u>Applied Physics Lab – Failure to document overtime properly resulting in overpayment</u>  a. Revise weekly time sheet forms to require daily detail of overtime hours worked (completed March 2004).  b. Recover salary overpayments from two employees (completed installment repayments June 2004).</p> <p>The State of Washington received a management decision letter dated September 16, 2005 stating the Office of Audit Resolution and Cost Policy (OARCP); Health and Human Services has determined that the corrective action plan and subsequent comments satisfied the auditor’s recommendations.</p> <p>Completion Date: June 30, 2004</p>

**State of Washington  
 Summary Schedule of Prior Audit Findings  
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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
02	11	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration, has not established sufficient internal controls to ensure compliance with Medicaid provisions.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778      <u>Amount</u> \$430,682</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: The following provides an outline of Department of Social and Health Services (DSHS) and its Medical Assistance Administration (MAA) corrective action by condition:</p> <p><b>Condition A. Payments made for persons with invalid social security numbers or made on behalf of deceased individuals.</b></p> <ul style="list-style-type: none"> <li>• The DSHS evaluated the option of having the Automated Client Eligibility System produce quarterly Social Security number (SSN) reports for staff to perform a comprehensive review. Completed February 2005.</li> <li>• A field memo was sent to Regional Administrators, Community Service Office Administrators and Financial Supervisors by the directors of the Community Services Division, the Division of Employment and Assistance Programs, and the Information Technology Division requiring staff to verify SSNs in the State On-Line Query system at the time of application. In addition, staff received instruction to respond to all alerts regarding mismatches and errors on SSNs and/or names. Completed in March and May 2003.</li> <li>• The DSHS negotiated an interagency agreement with the state Department of Health (DOH) for data sharing. Completed April 2003.</li> <li>• The questioned costs identified in the audit were reviewed for validity. DSHS received verbal verification from CMS in 2002 that there was no federal requirement to return any funds identified as a result of this audit. Karen O'Connor, Assistant Regional Administrator, Region 10 CMS, confirmed in an email (April 17, 2003) that no recovery would be sought.</li> </ul> <p><b>Refer to corrective action on finding 04-02 for further action on this issue.</b></p> <p>(Continued)</p>

**State of Washington  
Summary Schedule of Prior Audit Findings  
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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
02	11 (Cont'd)	Corrective Action:	<p><b>Condition B. Basic Health (BH) Plus</b></p> <ul style="list-style-type: none"> <li>• The DSHS has met with BH representatives to request that BH forward all changes in income level to MAA. Completed January 2003.</li> <li>• The MAA developed an annual eligibility review that will replace the BH Household change form process. The annual eligibility review will be required for continued BH plus eligibility. Completed January 2003.</li> <li>• The MAA developed a Job Operating Instructions manual to provide eligibility staff with detailed instructions on eligibility criteria. In addition, the MAA developed an audit plan, focusing on application/eligibility criteria. Completed January 2003.</li> </ul> <p><b>Refer to corrective action on Finding 04-07 (FY 04 Washington Single Audit) for further action on this issue.</b></p> <p><b>Condition C. Provider Licensing</b></p> <p>The DSHS did not concur with this finding in either the Fiscal Year 01 or Fiscal Year 02 audits. The MAA received written verification from Karen O'Connor stating CMS, would not pursue the FY 02 overpayment. All questioned costs identified in the FY01 finding were determined to be unsubstantiated.</p> <p><b>Condition D. Provider Health and Safety Standards – Hospitals</b></p> <p>The MAA established procedures to be used when information is received from the State Department of Health, the Aging and Disability Services Administration or other entities regarding compliance with health and safety standards. (December 2005)</p> <p><b>Refer to corrective action on finding 04-12 for further action on this issue.</b></p> <p><b>Condition E. Provider Health and Safety Standards – Nursing Homes</b></p> <p>The DSHS identified a more effective method of tracking the Denial of Payment Notice and implemented the method in November 2002.</p> <p><b>Refer to corrective action on Finding 04-09 (FY 04 Washington Single Audit) for further action on this issue.</b></p> <p>Completion Date: December 1, 2005</p>

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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
01	17	<p>Finding: The State of Washington is not complying with subrecipient monitoring requirements for some of the federal programs it administers.</p> <p><b><u>Department of Social and Health Services (DSHS)</u></b></p> <table border="0"> <tr> <td data-bbox="488 747 613 772">Questioned</td> <td data-bbox="667 747 764 772"><u>CFDA #</u></td> <td data-bbox="870 747 963 772"><u>Amount</u></td> </tr> <tr> <td data-bbox="488 779 558 804">Costs:</td> <td data-bbox="667 779 743 804">93.563</td> <td data-bbox="870 779 902 804">\$0</td> </tr> <tr> <td></td> <td data-bbox="667 810 743 835">93.778</td> <td data-bbox="870 810 902 835">\$0</td> </tr> </table> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The DSHS established an accounting policy board that reviewed this issue. DSHS Central Contract Services has taken the following actions to address this finding:</p> <ul style="list-style-type: none"> <li>• Published a new agency policy for identifying and managing subrecipient awards and agreements, effective as of April 15, 2005.</li> <li>• Published revisions to agency-wide policy for monitoring the performance of contractors, including mandatory use of the Agency Contracts Database to record monitoring activities. Effective January 1, 2005.</li> <li>• Revised its existing agency-wide training on monitoring the performance of contractors.</li> <li>• Placed a list of best practices for monitoring on its intranet website, which include forms (templates).</li> </ul> <p>The accounting policy board is now developing subrecipient monitoring procedures that all agency programs will follow. Estimated completion, June 2006.</p> <p>Completion Date: Estimated, June 2006</p>	Questioned	<u>CFDA #</u>	<u>Amount</u>	Costs:	93.563	\$0		93.778	\$0
Questioned	<u>CFDA #</u>	<u>Amount</u>									
Costs:	93.563	\$0									
	93.778	\$0									

**State of Washington  
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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>										
00	12	Finding:  Questioned Costs:  Status:  Corrective Action:  Completion Date:	The State of Washington is not complying with subrecipient monitoring requirements for some of the federal programs it administers.  <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td>93.563</td> <td></td> <td style="text-align: center;">\$0</td> </tr> <tr> <td>93.778</td> <td></td> <td style="text-align: center;">\$0</td> </tr> </table> Corrective action in progress.  The accounting policy board developed subrecipient monitoring policy 12.13. It was approved and implemented April 15, 2005. The board is developing subrecipient monitoring procedures that all agency programs will follow. Estimated completion is June 2006. Refer to corrective action plan for finding 01-17.  Estimated, June 2006		<u>CFDA #</u>	<u>Amount</u>	93.563		\$0	93.778		\$0
	<u>CFDA #</u>	<u>Amount</u>										
93.563		\$0										
93.778		\$0										



## Washington State Agency Codes (By Agency Alphabetically)

For the Fiscal Year Ended June 30, 2005

Agency No.	Agency	Agency No.	Agency
165	Accountancy, Board of (ACB)	345	Education, State Board of (SBE)
035	Actuary, Office of the State (OSA)	540	Employment Security Department (ES)
110	Administrative Hearings, Office of (OAH)	468	Environmental Hearings Office (EHO)
055	Administrative Office of the Courts (AOC)	605	Everett Community College (EVC)
119	African-American Affairs, Commission on (CAA)	102	Financial Institutions, Department of (DFI)
495	Agriculture, Department of (AGR)	105	Financial Management, Office of (OFM)
387	Arts Commission, Washington State (ART)	477	Fish and Wildlife, Department of (DFW)
087	Asian-Pacific-American Affairs, Commission on (APA)	167	Forensic Investigation Council (FIC)
100	Attorney General, Office of the (ATG)	411	Freight Mobility Strategic Investment Board (FMSIB)
095	Auditor, Office of the State (SAO)	117	Gambling Commission, Washington State (GMB)
695	Bates Technical College (BATES)	150	General Administration, Department of (GA)
627	Bellevue Community College (BCC)	075	Governor, Office of the (GOV)
694	Bellingham Technical College (BTC)	648	Grays Harbor College (GHC)
629	Big Bend Community College (BBC)	649	Green River Community College (GRC)
315	Blind, Department of Services for the (DSB)	476	Growth Management Hearings Board (GMHB)
351	Blind, State School for the (SFB)	303	Health, Department of (DOH)
101	Caseload Forecast Council (CFC)	107	Health Care Authority, Washington (HCA)
634	Cascadia Community College (CCC)	599	Health Care Facilities Authority, Washington (WHCFA)
375	Central Washington University (CWU)	343	Higher Education Coordinating Board (HECB)
632	Centralia College (CEC)	346	Higher Education Facilities Authority, Washington (WHEF)
635	Clark College (CLC)	652	Highline Community College (HCC)
696	Clover Park Technical College (CPTC)	118	Hispanic Affairs, Commission on (CHA)
639	Columbia Basin Community College (CBC)	390	Historical Society, Washington State (WHS)
460	Columbia River Gorge Commission (CRG)	302	Home Care Quality Authority (HCQA)
352	Community and Technical Colleges, State Board for (SBCTC)	185	Horse Racing Commission (HRC)
699	Community and Technical College System (CTCS)	011	House of Representatives (REP)
103	Community, Trade, and Economic Development, Department of (CTED)	148	Housing Finance Commission, Washington State (HFC)
471	Conservation Commission, State (SCC)	120	Human Rights Commission (HUM)
550	Convention and Trade Center (CTC)	250	Indeterminate Sentence Review Board (SRB)
310	Corrections, Department of (DOC)	086	Indian Affairs, Governor's Office of (INA)
406	County Road Administration Board (CRAB)	190	Industrial Insurance Appeals, Board of (IND)
048	Court of Appeals (COA)	155	Information Services, Department of (DIS)
227	Criminal Justice Training Commission (CJT)	160	Insurance Commissioner, Office of the (INS)
353	Deaf, State School for the (SFD)	126	Investment Board, State (SIB)
395	Eastern Washington Historical Society (EWH)	014	Joint Legislative Audit and Review Committee (JLARC)
370	Eastern Washington University (EWU)	038	Joint Legislative Systems Committee (JLS)
461	Ecology, Department of (ECY)	050	Judicial Conduct, Commission on (CJC)
104	Economic and Revenue Forecast Council (ERFC)	235	Labor and Industries, Department of (L&I)
106	Economic Development Finance Authority (EDA)		
610	Edmonds Community College (EDC)		

## Washington State Agency Codes (By Agency Alphabetically)

For the Fiscal Year Ended June 30, 2005

Agency No.	Agency	Agency No.	Agency
692	Lake Washington Technical College (LWTC)	670	Seattle Community Colleges - District 6 (SCCD-6)
341	Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board (LEOFF)	085	Secretary of State, Office of the (SEC)
046	Law Library, State (LAW)	012	Senate (SEN)
020	Legislative Evaluation and Accountability Program Committee (LEAP)	325	Sentencing Guidelines Commission (SGC)
015	Legislative Transportation Committee (LTC)	672	Shoreline Community College (SHC)
240	Licensing, Department of (DOL)	674	Skagit Valley College (SVC)
080	Lieutenant Governor, Office of the (LTG)	300	Social and Health Services, Department of (DSHS)
195	Liquor Control Board (LCB)	675	South Puget Sound Community College (SPS)
116	Lottery Commission, State (LOT)	676	Spokane Community Colleges - District 17 (SCCD-17)
657	Lower Columbia College (LCC)	377	Spokane Intercollegiate Research and Technology Institute (SIRTI)
408	Marine Employees' Commission (MAR)	225	State Patrol, Washington (WSP)
245	Military Department (MIL)	040	Statute Law Committee (SLC)
147	Minority & Women's Business Enterprises, Office of (OMWBE)	350	Superintendent of Public Instruction (SPI)
144	Municipal Research Council (MRC)	045	Supreme Court (SUP)
490	Natural Resources, Department of (DNR)	047	Supreme Court Reports, Commission on (SCR)
662	Olympic College (OLC)	678	Tacoma Community College (TCC)
467	Outdoor Recreation, Interagency Committee for (IAC)	142	Tax Appeals, Board of (BTA)
465	Parks and Recreation Commission, State (PARKS)	376	The Evergreen State College (TESC)
665	Peninsula College (PEC)	304	Tobacco Settlement Authority (TOB)
122	Personnel Appeals Board (PAB)	228	Traffic Safety Commission, Washington (STS)
111	Personnel, Department of (DOP)	410	Transportation Commission (TRC)
637	Pierce College (PIE)	405	Transportation, Department of (DOT)
205	Pilotage Commissioners, Board of (BPC)	407	Transportation Improvement Board (TIB)
462	Pollution Liability Insurance Program, Washington (PLI)	090	Treasurer, Office of the State (OST)
130	Printing, Department of (PRT)	360	University of Washington (UW)
056	Public Defense, Office of (OPD)	215	Utilities and Transportation Commission (UTC)
082	Public Disclosure Commission (PDC)	305	Veterans' Affairs, Department of (DVA)
275	Public Employment Relations Commission (PERC)	220	Volunteer Firefighters, Board for (FIR)
091	Redistricting Commission (RDC)	683	Walla Walla Community College (WLC)
693	Renton Technical College (RTC)	365	Washington State University (WSU)
124	Retirement Systems, Department of (DRS)	686	Wenatchee Valley College (WVC)
140	Revenue, Department of (DOR) Elected Officials (COS)	380	Western Washington University (WWU)
099	Salaries of Elected Officials, Washington Citizens' Commission on (COS)	621	Whatcom Community College (WHC)
		354	Work Force 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, 2005

Agency No.	Agency	Agency No.	Agency
011	House of Representatives (REP)	122	Personnel Appeals Board (PAB)
012	Senate (SEN)	124	Department of Retirement Systems (DRS)
014	Joint Legislative Audit and Review Committee (JLARC)	126	State Investment Board (SIB)
015	Legislative Transportation Committee (LTC)	130	Department of Printing (PRT)
020	Legislative Evaluation and Accountability Program Committee (LEAP)	140	Department of Revenue (DOR)
035	Office of the State Actuary (OSA)	142	Board of Tax Appeals (BTA)
038	Joint Legislative Systems Committee (JLS)	144	Municipal Research Council (MRC)
040	Statute Law Committee (SLC)	147	Office of Minority and Women's Business Enterprises (OMWBE)
045	Supreme Court (SUP)	148	Washington State Housing Finance Commission (HFC)
046	State Law Library (LAW)	150	Department of General Administration (GA)
047	Commission on Supreme Court Reports (SCR)	155	Department of Information Services (DIS)
048	Court of Appeals (COA)	160	Office of the Insurance Commissioner (INS)
050	Commission on Judicial Conduct (CJC)	165	Board of Accountancy (ACB)
055	Administrative Office of the Courts (AOC)	167	Forensic Investigation Council (FIC)
056	Office of Public Defense (OPD)	185	Horse Racing Commission (HRC)
075	Office of the Governor (GOV)	190	Industrial Insurance Appeals, Board of (IND)
080	Office of the Lieutenant Governor (LTG)	195	Liquor Control Board (LCB)
082	Public Disclosure Commission (PDC)	205	Board of Pilotage Commissioners (BPC)
085	Office of the Secretary of State (SEC)	215	Utilities and Transportation Commission (UTC)
086	Governor's Office of Indian Affairs (INA)	220	Board for Volunteer Firefighters (FIR)
087	Commission on Asian Pacific American Affairs (APA)	225	Washington State Patrol (WSP)
090	Office of the State Treasurer (OST)	227	Washington State Criminal Justice Training Commission (CJT)
091	Redistricting Commission (RDC)	228	Washington Traffic Safety Commission (STS)
095	Office of the State Auditor (SAO)	235	Department of Labor and Industries (L&I)
099	Washington Citizens' Commission on Salaries for Elected Officials (COS)	240	Department of Licensing (DOL)
100	Office of the Attorney General (ATG)	245	Military Department (MIL)
101	Caseload Forecast Council (CFC)	250	Indeterminate Sentence Review Board (SRB)
102	Department of Financial Institutions (DFI)	275	Public Employment Relations Commission (PERC)
103	Department of Community, Trade, and Economic Development (CTED)	300	Department of Social and Health Services (DSHS)
104	Economic and Revenue Forecast Council (ERFC)	302	Home Care Quality Authority (HCQA)
105	Office of Financial Management (OFM)	303	Department of Health (DOH)
106	Washington Economic Development Finance Authority (EDA)	304	Tobacco Settlement Authority (TOB)
107	State Health Care Authority (HCA)	305	Department of Veterans' Affairs (DVA)
110	Office of Administrative Hearings (OAH)	310	Department of Corrections (DOC)
111	Department of Personnel (DOP)	315	Department of Services for the Blind (DSB)
116	State Lottery Commission (LOT)	325	Sentencing Guidelines Commission (SGC)
117	Washington State Gambling Commission (GMB)	341	Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board (LEOFF)
118	Commission on Hispanic Affairs (CHA)	343	Higher Education Coordinating Board (HECB)
119	Commission on African-American Affairs (CAA)	345	State Board of Education (SBE)
120	Human Rights Commission (HUM)	346	Washington Higher Education Facilities Authority (WHEFA)

## Washington State Agency Codes (By Agency Assigned Number)

For the Fiscal Year Ended June 30, 2005

Agency No.	Agency	Agency No.	Agency
350	Superintendent of Public Instruction (SPI)	610	Edmonds Community College (EDC)
351	State School for the Blind (SFB)	621	Whatcom Community College (WHC)
352	State Board for Community and Technical Colleges (SBCTC)	627	Bellevue Community College (BCC)
353	State School for the Deaf (SFD)	629	Big Bend Community College (BBC)
354	Work Force Training and Education Coordinating Board (WFTECB)	632	Centralia College (CEC)
360	University of Washington (UW)	634	Cascadia Community College (CCC)
365	Washington State University (WSU)	635	Clark College (CLC)
370	Eastern Washington University (EWU)	637	Pierce College (PIE)
375	Central Washington University (CWU)	639	Columbia Basin Community College (CBC)
376	The Evergreen State College (TESC)	648	Grays Harbor College (GHC)
377	Spokane Intercollegiate Research and Technology Institute (SIRTI)	649	Green River Community College (GRC)
380	Western Washington University (WWU)	652	Highline Community College (HCC)
387	Washington State Arts Commission (ART)	657	Lower Columbia College (LCC)
390	Washington State Historical Society (WHS)	662	Olympic College (OLC)
395	Eastern Washington State Historical Society (EWH)	665	Peninsula College (PEC)
405	Department of Transportation (DOT)	670	Seattle Community Colleges - District 6 (SCCD-6)
406	County Road Administration Board (CRAB)	672	Shoreline Community College (SHC)
407	Transportation Improvement Board (TIB)	674	Skagit Valley College (SVC)
408	Marine Employees' Commission (MAR)	675	South Puget Sound Community College (SPS)
410	Transportation Commission (TRC)	676	Spokane Community Colleges - District 17 (SCCD-17)
411	Freight Mobility Strategic Investment Board (FMSIB)	678	Tacoma Community College (TCC)
460	Columbia River Gorge Commission (CRG)	683	Walla Walla Community College (WLC)
461	Department of Ecology (ECY)	686	Wenatchee Valley College (WVC)
462	Washington Pollution Liability Insurance Program (PLI)	691	Yakima Valley College (YVC)
465	State Parks and Recreation Commission (PARKS)	692	Lake Washington Technical College (LWTC)
467	Interagency Committee for Outdoor Recreation (IAC)	693	Renton Technical College (RTC)
468	Environmental Hearings Office (EHO)	694	Bellingham Technical College (BTC)
471	State Conservation Commission (SCC)	695	Bates Technical College (BATES)
476	Growth Management Hearings Board (GMHB)	696	Clover Park Technical College (CPTC)
477	Department of Fish and Wildlife (DFW)	699	Community and Technical College System (CTCS)
490	Department of Natural Resources (DNR)		
495	Department of Agriculture (AGR)		
540	Employment Security Department (ES)		
550	State Convention and Trade Center (CTC)		
599	Washington Health Care Facilities Authority (WHCFA)		
605	Everett Community College (EVC)		

## **Community and Technical College Reporting**

For the Fiscal Year Ended June 30, 2005

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 Community College  
Bellingham Technical College  
Big Bend Community College  
Cascadia Community College  
Centralia College  
Clark College  
Clover Park Technical College  
Columbia Basin Community College  
Edmonds Community College  
Everett Community College  
Grays Harbor College  
Green River Community College  
Highline Community College  
Lake Washington Technical College  
Lower Columbia College  
Olympic College  
Peninsula College  
Pierce College  
Renton Technical College  
Seattle Community College – District 6  
Shoreline Community College  
Skagit Valley College  
South Puget Sound Community College  
Spokane Community College – District 17  
Tacoma Community College  
Walla Walla Community College  
Wenatchee Valley College  
Whatcom Community College  
Yakima Valley College





DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General  
Office of Audit Services

National External Audit Review Center  
Lucas Place, Room 514  
323 West 8th Street  
Kansas City, Missouri 64105

FEB 24 2006

Sadie Rodriguez-Hawkins  
Assistant Director Accounting Division  
State of Washington  
Insurance Building  
P.O. Box 43113  
Olympia, Washington 98504-3113

Dear Ms. Rodriguez-Hawkins:

This letter is in response to the request for an extension in submitting the Single Audit for the year ending June 30, 2005, for the State of Washington.

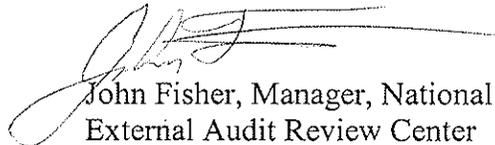
We have approved your request for an extension until May 31, 2006. Please note this office does not have authority to grant an extension for the submission of the Financial Status Report.

Please note that the audit reporting package and data collection form should be submitted to the following address:

Federal Audit Clearinghouse  
Bureau of the Census  
1201 East 10<sup>th</sup> Street  
Jeffersonville, IN 47132

Also, send a copy of this letter to each Federal Agency that provided funding to the State of Washington. If you have questions, contact our office at (816) 374-6714.

Sincerely,

  
John Fisher, Manager, National  
External Audit Review Center

RECEIVED

MAR 01 2006

OFM ACCOUNTING DIV



**DEPARTMENT OF HEALTH & HUMAN SERVICES**

Office of Inspector General  
Office of Audit Services

National External Audit Review Center  
Lucas Place, Room 514  
323 West 8th Street  
Kansas City, Missouri 64105

**MAY 26 2006**

**RECEIVED**

**MAY 31 2006**

**OFM ACCOUNTING DIV**

Sadie Rodriguez-Hawkins  
Assistant Director Accounting Division  
State of Washington  
Insurance Building  
P.O. Box 43113  
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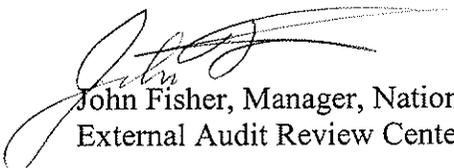
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